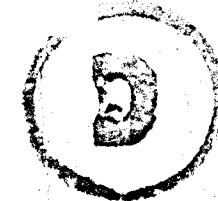


Economic and Political
Weekly

March 10, 1973

R.R. NO. 1758.



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**ECONOMIC
AND
POLITICAL**

WEEKLY

A Sameeksha Trust Publication

Rs 1.50 Vol VIII No 10 March 10, 1973



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POLITICAL ECONOMY OF BANGLADESH

ORGANISING THE LANDLESS

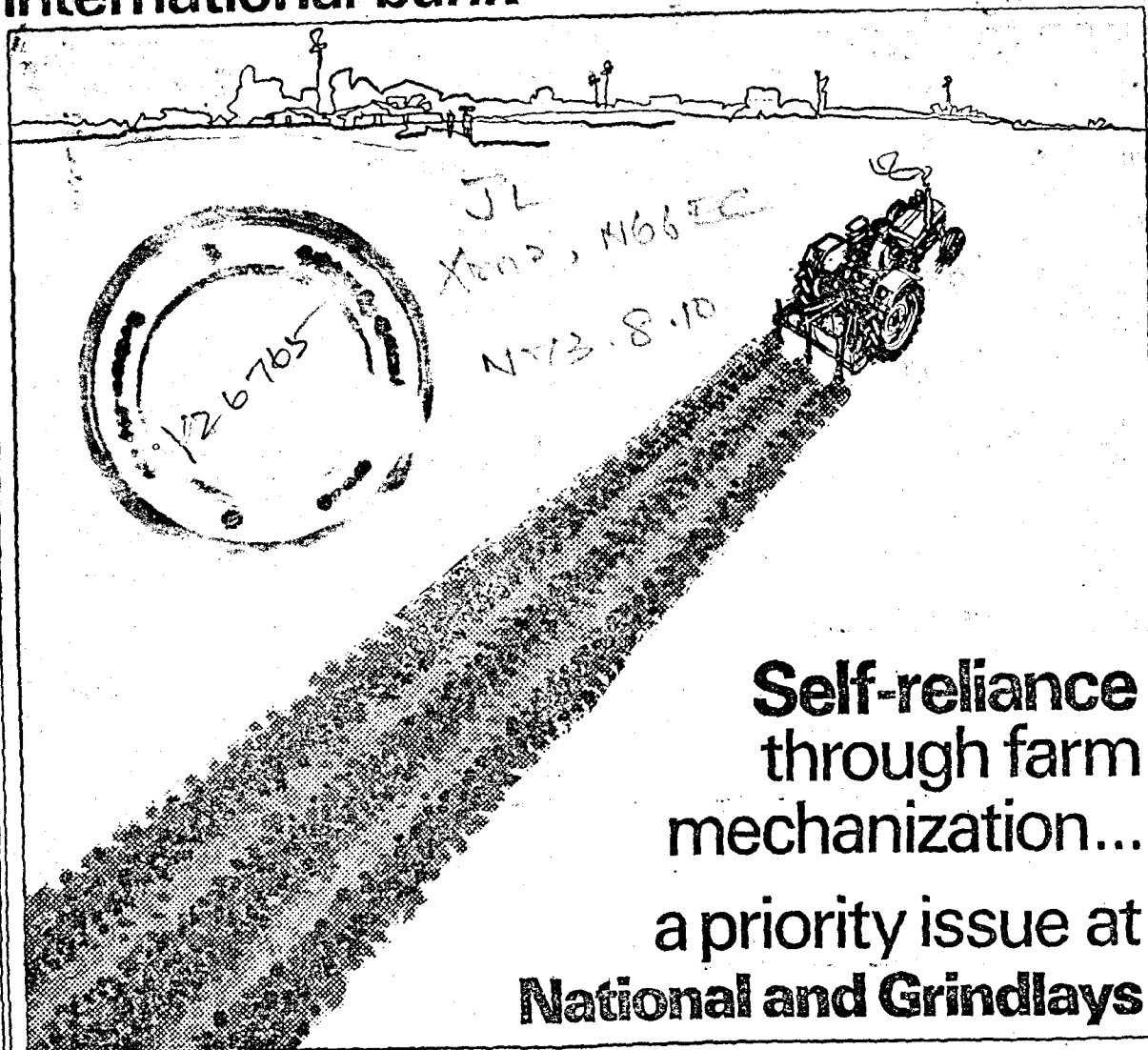
ECONOMICS OF INDIAN TELEVISION

INITIAL DEPRECIATION ALLOWANCE

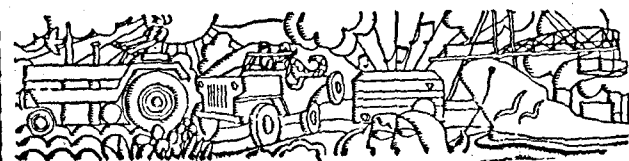
POLITICS OF DEFENCE

DOLLAR DEVALUATION AND INDIA'S TRADE

Priority development and the international bank



**Self-reliance
through farm
mechanization...
a priority issue at
National and Grindlays**



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ECONOMIC AND POLITICAL

WEEKLY

Founder-Editor: Sachin Chaudhuri

Vol VIII No 10 March 10, 1973

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ECONOMIC AND POLITICAL WEEKLY
Skylark 284 Frere Road Bombay 400 001

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Shifting Sands K.K. NO. 113

WHILE the Israelis by cold-bloodedly killing 106 blameless travellers and the Palestinian guerillas by executing three Western diplomats, may have created the impression that another serious Arab-Israeli crisis is around the corner, the manifold political strands within West Asia as well as those closely connecting the area with the big powers, point to quite different eventualities. Among all these strands, the two most constant and inter-related factors are the pervasive American stake in West Asia and Israel's complete military dominance in the area. The more fickle and changeable factors are the regimes of the Arab countries, not one of which can be regarded as being intrinsically stable; the composition and character of the various Palestinian guerilla groups, whose priorities and targets remain unfixed; the criss-crossing, fluid relationships between these regimes and guerilla groups; and Soviet interest in the region which tends to waver from one country to another, be it Egypt, Syria, Iraq or even Iran.

At a global level, there are signs of a transposition of the regional priorities of the Soviet Union and the United States. The Russians, like the Chinese, are intensely involved in the syndrome of Sino-Soviet confrontation. This suggests that the Russians, at least for the next few years, will be concentrating their attention on East Asia, particularly on improving their relations with countries on the periphery of China, that is, Japan and the nations of South-East Asia. This does not by any means imply a Soviet withdrawal from West Asia, but does indicate a shift in the area of concentration of interest.

The Chinese, who have so far taken only a limited interest in West Asia, may want to counter-balance Soviet gestures towards Japan and South-East Asia by stepping up the tempo of their arms supplies and training programmes for the Palestinian guerillas and the guerilla movement in Dhofar, which borders on the Persian Gulf. But they will take care to see that such aid never becomes more than a trickle, as they have no intention of alienating their new-found friend in the Pacific, the United States, by seriously working against its interests in West Asia. It follows that it is in the Chinese interest to maintain a fine balance between keeping up their radical image among Arab 'revolutionaries' while retaining cordial relations with a goodly number of Arab regimes, though excluding the most reactionary ones like those of Hussein and Faisal.

The United States, with a far larger economic stake in West Asia than in South-East Asia, with the slow but measured winding down of the conflict in Indochina, with its increasing dependence upon Arab oil, with its worries about having to compete with Japan and Western Europe for West Asia's oil reserves, with the permanent ethnic ties between a large and influential group of its own citizens and the people of Israel, cannot but be the big power most concerned with establishing conditions for stability in West Asia.

Since one of the prime conditions for stability — the creation of a Palestinian homeland — is beyond the realm of possibility in the foreseeable future, the United States is now likely to concentrate on the establishment of a *modus vivendi* between as wide a spectrum of Arab states as possible and Israel. A palliative would be needed by the Arab states in order to accept a *modus vivendi* with Israel. This is likely to be in the form of the handing back of some of the territory occupied by Israel during the 1967 war. Since Egypt remains the major Arab power and since the Sadat regime's continued — and moderating — presence in Cairo now depends so much on some token gain in Sinai, the Americans are likely to push the Israelis into withdrawing at least from the banks of the Suez Canal, so helping Sadat retain his position and at the same time gaining some goodwill among Arab regimes other than just the conservative ones.

In this wide sweep, Palestinian guerilla actions like the killing of American diplomats, while attracting a lot of attention, are not likely to halt the American impetus towards improving ties with Egypt and other Arab states, including Libya. In fact, in his most recent speech Colonel Ghaddafi sounds a plaintive note. He baldly says that, considering the present state of the Arabs, there is little that can be done against Israel. He also adds that if in any conflict with Israel, Egypt were to fall, all the other Arab states of North Africa would also fall to the Israelis. Notwithstanding his reputation as a hot-head, Ghaddafi is proving to be cautious in his actions — much like Nasser had become — under force of circumstance. At the moment, Ghaddafi is most worried by the growing anti-Egyptian sentiment among Libyans, which burst into the open at the funeral of the Libyan air travellers killed by the Israelis. Since one of the main planks of his policy is Arab unity, including union with Egypt by next September, he must find a means of quietening anti-Egyptian feelings which could next turn against him. Therefore, it should be in his political interest to

rates stable, is dictated by the farm price policy with its sub-and tariffs to equate farm prices within the community. It must be remembered that almost 90 per cent of a total Community budget, of 100 million, is spent on the agricultural sector. The need to keep exchange rates is not, however, dictated only by the requirements of the farm policy. The ECM countries are also aiming at a common European currency through the European Monetary Union (EMU). A first necessary step towards achieving the EMU objectives is maintenance of stable exchange rates in each other's currencies by stipulating a narrow band within which cross-rates would fluctuate.

The idea of a joint float of the ECM currencies had been strongly recommended by the West Germans as a "European solution" to the dollar crisis of 1971. At that time, the idea had been firmly opposed by both France and Italy. The ECM Commission was also against floating and, instead, favoured insulating the Community from speculative capital flows by harmonisation of administrative controls on capital movements with third countries. The West Germans, who were not in favour of rigorous capital controls, then went ahead to float the Deutsche mark unilaterally.

The situation at the moment has become a little more complex for the ECM, especially due to the entry of Britain with a floating pound sterling. The British are apparently sympathetic to the idea of a joint float, but are not sure whether they can afford to have a near fixed parity vis-à-vis other strong ECM currencies — as would be required under the joint float scheme. With the January trade deficit of £77 million still fresh in mind, the British are worried about strong pressures building up on the pound sterling which appears at present to be the weakest of the ECM currencies. But the joint float could be devised in such a way that, in the event of excessive pressure, any member could overnight alter its fixed parity vis-à-vis the other currencies and again rejoin the float against the dollar. But the British want further assurance that, in the event of excessive pressure on its currency, the rest of the ECM countries would offer unconditional and unlimited support.

Even assuming that the idea of a joint float is accepted, it may happen

in practice that if market pressures build up on any currency, it may be taken out of the joint float too quickly and may return to the float only after a long time-lag. It would be difficult to prescribe very stringent rules as to when an erring member may leave the joint float and rejoin it later.

If the joint float really materialises, by, say, next week, India would be placed in a peculiar situation, linked as it is now to the pound sterling. A European float against the dollar would result in an upvaluation of the rupee vis-à-vis the dollar since the rupee would get linked to a strong currency block. Can India afford this? With the foreign exchange reserves position rather precarious at the moment, and given the pent-up demand for imports to meet domestic scarcities, appreciation of the rupee vis-à-vis the dollar — in which nearly one-third of our exports are invoiced — would be a risky step. India would, therefore, be relieved if the sterling does not get involved in the joint float, or if it makes a quick exit from the float on one pretext or the other. If the float really materialises, India should try to take advantage of the provision of the wider band — and also be prepared to refix its parity vis-à-vis the pound sterling.

Indo-Soviet Protocols

Wrong Predication

Our Delhi Correspondent writes:

THE protocols signed under the aegis of the Indo-Soviet Joint Commission for Economic and Technical Co-operation cover a very wide field. If all the projects and exchange of goods envisaged in the protocols come through, further expansion of trade between the two countries would not encounter the difficulties experienced in recent years in balancing the bilateral trade. The trade imbalances had risen primarily because of the inability of the Soviet Union to supply such goods and services as India needed. The heavy engineering equipment which the Soviet Union could more easily offer, India found difficult to absorb since there has been a slowdown in fresh industrial investment and since large capacities in the sector have already been established with earlier Soviet assistance. The result was a fairly large favourable balance for India, that was covered partly by arms delivery from the Soviet Union and partly by advance settlement of old

Soviet credits. India has been trying to get the Soviet Union to enlarge its supply of non-project items, industrial raw materials, metals, and fertilisers, but without success. The new protocols will very likely smoothen these difficulties as they span areas in which the Soviets are well placed to supply.

However, while the protocols help to extend and enlarge the scope of Indo-Soviet economic co-operation and trade, and generally to balance the trade between the two countries, the inclusion of certain projects and the manner of Soviet participation in them may create lopsidedness in the development of the Indian economy. It is not clear, for instance, why Soviet participation has been accepted on the scale envisaged for the power programme. It is one thing to import generating sets on a short-term distress basis in view of the lags and shortages that have developed in the power economy, and quite another to plan for full-scale imports to underpin a whole power programme — especially when it is well-established that Indian capability is sufficiently developed for the requirements of the power programme over the longer run. The inclusion of an alumina project in which the Soviets are to participate may be questioned on similar lines. Of even greater significance is the implication of a change in the future steel programme in deference to the Soviet proposal for expansion of the Bhilai and Bokaro plants. Acceptance of the Soviet proposal would, of course, virtually foreclose any other steel development programme based on indigenous effort.

Particularly questionable is the protocol covering Soviet participation in the exploration and production of crude oil. The fact is that whatever worthwhile assistance the Soviets had to offer in this field has already been taken. Continuation of the same arrangements is at this stage more likely to prove harmful as it would tie the Indian effort in exploration to a single source of technology and equipment which may not be able to cope with all the tasks in this sphere.

As in the case of all foreign aid, the tendency of our system in relation to Soviet assistance, also, is to tailor development plans to aid availability. Rather than use foreign assistance to supplement indigenous enterprise the trend has been to allow such assistance to supplant local effort. It may not be wrong therefore to take a second hard look at the arrangements chalked out in the Indo-Soviet protocols, merely because India at present has excellent political relations with the Soviet Union.

Calcutta Diary

A M

IN Hindu epistemology, a category of individuals are designated as the knowing sinners, *jnanapapi*. There is not one sin that they will not commit, but they do so in full awareness of the gravity of what they are doing. Depending upon one's point of view, you can describe them as the great or noble ones, for they wade through the experience of sinning despite the fact that it would bring them eternal damnation. Or, again, you are perfectly at liberty to treat them with infinite contempt, since these individuals, despite possessing knowledge of the heinous nature of the follies they are about to embark upon, do not nonetheless try to garner the strength of mind to stay away from the temptation: for them, the flesh is always weaker than the spirit.

The Government of India obviously belongs to this species of knowing sinners. This year's Economic Survey is, almost to a fault, replete with economic wisdom and awareness. It says all the right things that need to be said. Not one heroic is missed, not one cliché is left unchurned. Here are two passages which one can pick in random:

If exports are to rise faster than output and incomes, sales abroad must become more lucrative than sales in the domestic market. As such, one can expect entrepreneurs to develop export markets vigorously, and to undertake the investment needed for adapting production to the more exacting requirements of foreign buyers, only if the pull exercised by a sheltered home market is resolutely restrained. For, it is not only high production costs but also internal demand and high prices which inhibit the growth of exports. Accordingly, adequately strong measures will need to be deployed to dampen the growth of domestic absorption, particularly the high income demand for non-traditional manufactures. (page 79)

... a well integrated policy approach is essential for reducing persistent inequalities in consumption levels for mobilising resources on a scale adequate enough to attain more rapid economic growth envisaged during the Fifth Plan period. The industrial licensing and other policy weapons will henceforth need to be wielded more purposively and effectively to discourage the demand and the expansion of capacity for manufactures which serve to meet the luxury requirements of a thin upper crust of our society. Industries producing

luxury goods involve a wasteful use of the available savings and foreign exchange. Obviously, scrapping of existing capacities in luxury industries will involve needless waste of scarce resources and avoidable unemployment. Accordingly, they must be speedily and progressively re-oriented towards production for the export market. (page 87)

One can make gentle fun of the plethora of the particular suffix which tries to convert the inert adjectives into roaring adverbs, but there is nothing *per se* unexceptionable in the two statements; they converge towards a common set of conclusions, namely, that there can be no salvation for the economy without a restraint on domestic consumption, particularly on luxury consumption. The catch is, however, in the operational measure which is recommended, so as to ensure that, while the domestic consumption of luxury goods might be subdued, the units producing these goods do not go to the wall. It is almost as if the economic problem has a moral facet, and one which can be reduced to a Khrushchevian parable: If a blister comes up with a head on the tip of the nose, since it has taken all this effort to come up with a head, it may conceivably be pleaded, it would not be quite polite to try to get rid of it through the application of specific drugs. Similarly, the Economic Survey almost appears to argue, the luxury industries having taken all this time and spent all these resources to sprout their capacity in the body economic, it would be the height of rudeness to liquidate them at one stroke. Hence the apologia of not letting resources go to waste, along with the urging that the capacity of these industries be earmarked for the export sector.

Have we not been here before? Since export is a matter of high priority, once the point about earmarking has been conceded, at the subsequent stage, a particular luxury industry will perhaps demand, and be granted, additional import licence for certain balancing investments. And, in this dynamic world, one could stumble upon the convenient discovery that industries, curse their luck, are condemned to a state of perpetual imbalance. Since no two pieces of equipment are likely to

balance perfectly, it might not then be possible to hold in leash the clamour for continuous imports. Further, once you have allowed the luxury industries to stay in business for the exclusive purpose of export promotion, they would be within their rights to come back and demand special cash incentives and other forms of subsidy. The process need not quite stop here. If, after a point, it is found that exports are not progressing satisfactorily because of the products being priced rather high, the argument could be advanced that the unit cost can be brought down if only production is enlarged to exploit the economies of scale, and the latter would be possible only in case demand could be expanded by allowing the affluent in the country to purchase a part of the total output. Thus high consumption standards of the rich would come to be justified on the allegedly patriotic, allegedly economic argument that otherwise it would be impossible to lower unit costs and expand exports. To clinch the issue, it would then be maintained, the government too would gain from such a rise in luxury consumption; by levying a heavy excise on the luxury commodities, the national exchequer would be so much the richer. If there were no rich to be taxed on their high consumption, so appears to be the purport of the argument, what would the poor government do, reminding one of the Maurice Chevalier song which plaintively asks: if there were no little girls, what will little boys do?

Some of the socialist countries had the answer to the conundrum long ago. They knew that whatever the degree of freedom which foreign trade offers, once a nation begins to produce luxury consumption goods, pressures will be generated all over the system to allow some consumption from out of these goods. They decided to take care of the problem at the source: do not produce such consumption goods, produce only capital goods, and that too, as far as is possible, for raising the output of further capital goods. Pieces of machinery cannot, after all, be either eaten up or smoked away: if you want to raise the level of savings, you therefore do not produce consumer goods, you produce machinery and equipment.

The knowing sinners here seem to have no use for such wisdom. If one were so minded, it should not be difficult to do a kind of project analysis for comparing the relative cost-benefits

of shutting down summarily the more obvious cases of luxury industries, and of allowing them to continue purportedly for catering to the export market. In working out these calculations, what should be brought in, and in an explicit way, is the impact of having a network of luxury industries on the domestic rate of savings. The units produce the goods; some are exported, the rest leak into the internal market for the rich to consume; the level of consumption of the rich thus moves up; but

since they are pace-setters, higher consumption on their part forces up the consumption expenditure of about everybody down the line of the social hierarchy; Jones second class gets ideas from Jones first class, Jones third class gets ideas from Jones second class, and so on till you reach the very end. If the *sahib* is going to go for a refrigerator exceeding 165 litres, little blame will attach to the Class IV employee if he demands a rise in his wages which will allow him the luxury of acquiring

a pair of gold bangles for his wife. No amount of adverbs-via-suffixing-of-adjectives will, in such circumstances, be of any avail. We are back to the issue of the foreign cars which the President and the Union ministers ride, the expensive foreign cigarettes which some of them smoke, the gaudy cuff links some of them flaunt. The Economic Survey cannot help them unless they help themselves. Or, should it be because they help themselves?



RESTRICTIVE TRADE PRACTICES

are you a distributor or retailer of goods in India ?

DOES the manufacturer insist that you should stock only the goods produced by him and not goods manufactured by any other rival producer ?

IF so, he is guilty of following a restrictive trade practice under the provisions of Section 33(1)(c) of the Monopolies and Restrictive Trade Practices Act.

PLEASE bring the facts supported by evidence to the notice of the Registrar of Restrictive Trade Agreements, Post Box 424, New Delhi, for initiating necessary action against the manufacturer.

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davp 72/708

COMPANIES

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WALCHANDNAGAR INDUSTRIES has applied for enhancement of licensed capacity for manufacture of water-tube boilers, high-speed centrifugals, milling plants, sugar plants, gears, gearboxes and pinions, chemical and nuclear machinery, sugar mill machinery, rectified and denatured spirit, and cement-making machinery. Government has so far allowed the company to step up capacity of water-tube boilers, high-speed centrifugals, gears, gearboxes and pinions. Progress of work on the Kinyala sugar project in Uganda has been hampered on account of nationalisation of the local establishment of the company's associates in this venture. Negotiations with the Ugandan authorities are going on for expediting the alternate arrangements for carrying out the erection work, and work is expected to be resumed soon. The company has secured another export order from Malaysia, worth Rs 450 lakhs, for the supply of a complete sugar plant with a daily crushing capacity of 2,500 tonnes. The project is to be completed by September 1974. During 1971-72, Walchandnagar crushed 1,71,060 tonnes of sugarcane and produced 1,76,443 quintals of sugar with an average recovery of 10.23 per cent. In the previous year, the company crushed 2,00,004 tonnes of cane and produced 2,18,765 quintals of sugar with a recovery of 10.9 per cent. Profitability of sugar factory suffered owing to lower quantity of cane crushed, lower recovery, and higher cost of cane — and in spite of better average price realised for sugar. The overall results have been better, nevertheless, owing to a marked improvement in the working of the industrial machinery division and satisfactory performance of the distillery and plastic divisions. Sales of industrial machinery shot up from Rs 546 lakhs to Rs 806 lakhs. The increased tempo of production will enable the company to expedite execution of pending orders for industrial machinery. During 1971-72, orders worth Rs 675 lakhs were secured. Orders at the year-end stood at Rs 1,704 lakhs, and at the end of January last increased to Rs 2,123 lakhs. With a higher profit, the company has provided about Rs 39 lakhs for arrears of depreciation and Rs 15 lakhs for arrears of development rebate. The board has also proposed payment of

arrears of preferential dividends for two years ended September 1971. Additional liability, if any, arising from the fixation of cane price by the Government of Maharashtra, in respect of sugarcane supplied by MSFC during the past four years, has not been provided for. The amount is unascertainable.

EAST ANGLIA PLASTICS (INDIA) recorded a more disappointing performance during the year to June last, compared to the preceding year, as a re-

sult of decline in production and sales and erosion of margins. Increased cost of production apart, the company had to bear a higher cost of interest on borrowed funds blocked in larger inventory consisting mostly of finished stock of plasticisers and imported raw materials which had to be carried throughout the year. The company is awaiting government approval to its application for an industrial licence for manufacture of PVA and PVA fibre. Meanwhile, the GRP division has found a new outlet in acid-proof lining of vessels, pipes, and ducts in the steel, copper, fertiliser and chemical (including petrochemical) plants. The supply is continuing of vinyl drain pipes to the different railways, for test and trial on the track.

The Week's Companies

(Rs in Lakhs)

	Walchandnagar		East Anglia Plastics	
	Latest Year 30-9-72	Last Year 30-9-71	Latest Year 30-6-72	Last Year 30-6-71
Paid-up capital	232	232	182	182
Reserves	208	183	8	18
Borrowings	539	506	146	128
of which Term borrowings	109	116	5	7
Gross fixed assets	738	715	160	146
Net fixed assets	311	365	120	129
Investments	61	62	9	9
Current liabilities	612	693	55	51
Current assets	1194	1614	240	249
Stocks	575	601	154	118
Book debts	598	523	83	109
Net sales	1155	874	214	318
Other income	127	100	6	5
Raw material costs	751	627	183	229
Wages	159	141	22	23
Interest	53	47	16	15
Gross profit(+)/loss(-)	104	7	-10	1
Depreciation provision	38	36	8	8
Tax provision	—	—	—	—
Net profit(+)/loss(-)	66	-20	-18	-7
Development rebate provision	2	—	—	—
Transfer to reserves	—	—	—	—
Dividend				
Amount	P 10*	—	—	—
Rate (per cent)	P 10	—	—	—
Cover (times)	E —	—	—	—
Ratios (per cent)				
Gross profit/sales	9.00	0.80	—	0.31
Net profit/capital employed	6.74	—	—	—
Inventories/sales	49.78	68.76	71.96	37.11
Wages/sales	13.76	16.13	10.28	7.23

* For 1969-70 and 1970-71.

MAHARASHTRA

Organising the Landless in Shahada

P B

SHAHADA and Taloda talukas, comprising about 300 villages, an area of 600 square miles and a population of some 2.5 lakhs, are situated at the foot of the Satpura ranges in Dhulia — the northernmost district of Maharashtra, close to the borders of Gujarat and Madhya Pradesh. Adivasis account for 40 per cent of the population in Shahada and 75 per cent of the population in Taloda. Most of the Adivasis are Bhils. The area may be divided into two regions: the fertile central plains which stretch through central and southern Shahada and through eastern and central Taloda; and the somewhat hilly periphery bordering Gujarat and Madhya Pradesh.

The river Tapi and a number of smaller rivers flow through the central region. Most of the soil is exceptionally fertile — excellent black loam which can yield two good crops without irrigation. This part is today monopolised by rich peasants, a majority of whom are Gujars or Leva-Patils. The Gujars migrated to this area over a hundred years ago and set themselves up in trade and moneylending; even today, they are often referred to as 'shahus' or 'sowkars'. Through usurious moneylending they systematically appropriated the Adivasis' lands by forcing them thus to settle their debts — given on impossible terms and often vastly inflated by manipulation of book figures which the Adivasis cannot read. Over a period of time, these immigrants achieved hegemony as the major landowners in the area. At the present time, these kulaks constitute 10-20 per cent of the population, owning 70 to 80 per cent of the land, mostly the best land in the villages. The rest of the land is divided into tiny plots among small peasants, though there are a few 'middle peasants'. Between 50 and 60 per cent of the population is landless.

Dhulia is not one of the IADP or IAAP districts. It was at the kulaks' initiative that the green revolution came here. The kulaks — educated, 'progressive', and aware of the benefits of the new technology — have "learnt to want more" and know how to get it. They have used their control of the district's co-operatives and the state machinery to bring in the capital, equip-

ment, and the knowhow for the green revolution. The new wheat varieties, brought in first in the mid-sixties by a group of rich Gujars and used on irrigated farms, have spread by leaps and bounds, together with expansion of irrigated area and use of fertilisers, pesticides, pumps, tractors, power tillers, and threshers.

For example, in Shahada the number of tractors was 0 in 1946, 150 in 1967, and 300 in 1971. The figure for 1971 is perhaps the highest for a taluka in Maharashtra. (It is reported that the kulaks have placed orders for about 400 tractors worth Rs 1 crore with one tractor manufacturing company alone.) The number of oil engines and pumps per thousand hectares in Shahada taluka was about 20 in 1963-64, 35 in 1966-67, and is more than 50 now. Also, the total irrigated area is increasing at a very high rate and now stands at some 20,000 hectares for Shahada. Nearly all of this, as also the pumps and wells, are concentrated in the central region, which is cultivated intensively by the kulaks through hired wage labour. Most of these irrigated farms are sown with the high-yielding varieties of wheat as well as other foodgrains; more recently, sugarcane and some highly profitable varieties of plants and grass used as cattle feed have also been cultivated. The latter are sold to the large, modern, dairies all over Dhulia which has now become a 'white revolution' (sic) milk-exporting district. Agriculture in the area has thus been oriented to the market and for profit. The kulaks seem to make between three and five times more today than in the pre-'green revolution' period. Land now costs over five times what it did just five years ago, testifying to the profitability of agriculture.

Also, where earlier a substantial section of the big landowners used to lease out their land to sharecroppers (since the Tenancy Act, tenancy had been of a concealed nature, the duration of the lease rarely exceeding one or two seasons), after the spectacular success with the new seeds the landlords have taken to self-cultivation. The big landowners are thus no longer semi-feudal landlords who lease out their land to tenants; with the coming of the 'green revolution', the system of *meta-*

yage (tenancy) was buried in. Shahada and Taloda and the unprotected 'temporary' tenants were evicted. Loans and subsidies from government agencies and co-operatives, supplemented by the economic surplus which had hitherto been hoarded or used for land purchase, moneylending, or conspicuous consumption, have since become the capital for investment in the new technology. A small section of the richer middle peasants — mainly Gujars, again — who have close ties with the kulak leaders have also gradually emerged as rich peasants.

The success of the new technology also encouraged leasing in, buying, and even grabbing of land from the small peasants who have been slowly pauperised. At the same time, the earlier class of middle peasants began to disintegrate, as the more affluent of them moved closer to the kulaks and the poorer ones were forced down into the ranks of the small holders-cum-agricultural labourers.

As elsewhere, for the poor sections here, loans are now even more difficult to come by, as the high profitability of commercial agriculture has diverted available agricultural credit to the successful farmers. This, in turn, has reinforced the poor peasants' willingness to part with their land and become agricultural labourers.

There is thus a process under way here which is rapidly transforming the old landlord-tenant relation into a capital-wage labour relation. The new technology has begun to displace labour in a big way with the pumps, tractors, tillers, threshers, etc; and the additional work created by the use of the new seeds, fertilisers, pesticides and irrigation does not compensate for this. The results are most evident when, for example, threshers, etc, are used at harvest time which is the only season when casual labour can get farm employment at slightly higher wages. Simultaneously, the 'reserve army' of the unemployed swells with the addition of small peasants-turned-landless labourers. The per capita income of agricultural labour in Dhulia district was estimated at about Rs 113 in 1965-66. In Shahada and Taloda it appears to be lower than the average for the district.

For the Adivasis, who are the most depressed section of the landless and poor peasants, the process of capitalist development has been particularly painful because of their social and economic backwardness. The literacy rate among the Adivasis of Dhulia was 1.4 per cent

My mother had to work
14 hours a day
after we lost father.
That shall not happen
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3 per cent among Adivasi women) against 19.4 per cent for the entire population in Dhulia. Few Adivasi children go to school. Even the Rs 10-Rs 20 that a 10- or 12-year old child may earn per month, say, as shepherd, would make all the difference to his landless family. Of the Adivasi children who do go to school, 42 per cent drop out between standards I and IV and only 8 per cent reach standard IV from standard I, and 4.6 per cent standard VII from IV.

There is no alternative source of employment for most Adivasis. There is little industry in the area, except for a co-operative sugar mill. This started functioning only in November 1972 and controlled by the kulaks. It employs very few Adivasis. In any case, the Adivasis possess few skills, there are few craftsmen or artisans in the Adivasi community.

In contrast to the fertile central plains, the hilly periphery of this region constitutes a small peasant economy. The green revolution has not reached this region. Landlessness is considerable here and the landless have few opportunities of employment on the small peasants' lands. Many of them carry a headload of kindlewood from the Khatpura forest every day, and walk to market places, which are 10 and 15 miles away, to sell it for 75 paise or a rupee. The region serves as a satellite to the more developed Shahu area, providing it with a reservoir of cheap labour.

There are, on the fringe of this region, thousands of acres of cultivable waste land which are officially 'reserved' for teakwood plantation by the Forest Department. In fact, there is no teak or for that matter any other forest on this land; attempts by the Forest Department to grow teak have consistently failed. The landless have been petitioning the Forest Department for a grant or lease of the land for cultivation, but without avail. Yet forest officials for many years have allowed middle peasants and richer farmers, who could bribe them, to cultivate some of the land.

But even here the small peasants are unlikely to be left to themselves for so long: the kulaks of Shahu are already making inroads into the area. The co-operative societies, which could be the only source of cheap credit for the small peasants, are bankrupt or their funds are being increasingly diverted to finance 'development' of the Shahu region. The stagnation and underdevelopment of this region, simultaneously with the development of the Shahu re-

gion, is therefore inevitable.

In such circumstances, it is hardly surprising that there have been a number of spontaneous movements of protest and revolt in recent years led by populist-reformist or Adivasi chauvinist leaders. The Patilwadi-Mahaswad incident is a case in point.* Many of these were localised occurrences, confined to a few villages, which did not challenge the existence of the system but aimed only at checking certain practices within it. The two usual forms of peasant rebellion, viz. social banditry and sporadic riots, proved to be only marginal irritants to the system. This failure has stemmed from the many limitations of peasant movements, deriving from the objective conditions of peasant life — their scattered population, their heterogeneity, their isolated existence, their role in the process of production, etc.

The whole situation, however, changed at the beginning of last year, when the growing discontent and militancy found organised expression and a leadership. A united front was formed, of a cadre of independent young radicals, the Maharashtra Landless Labourers and Poor Peasants Union (led by the Lal Nishan Party), and certain elements of the Sarvodaya movement who had been active in the earlier movements. The united front organised a movement which has already passed through various phases, corresponding to the different aspects of its programme.

In the first phase, the focus was on the recovery of the Adivasi peasants' lands which had been appropriated by the kulaks. As noted earlier, the kulaks had forced small peasants to mortgage and/or sell their lands at throw-away prices. Often this mortgage or sale does not appear on paper, since a great deal of this land is held under the system of New Tenure under which the title to the land is inalienable and impartible. Thus the kulaks' possession of the land is illegal in a number of cases. Such lands were recovered by the small peasants by forcibly harvesting the crops sown by the kulaks on their plots or by driving the kulaks off the lands. This was initially resisted violently, and with police help, by the kulaks. But the small peasants, who were supported by the landless, stood firm and forced the kulaks to yield. In this way, in three months, about 4,000 acres were recovered. But more important was the

fact that the poor had for the first time acted on the strength of their own organised effort and experienced a major psychological transformation.

The second phase saw the boycott of the Assembly elections of March 1972 in Shahada. This was in protest against the tyranny of the kulak-police alliance, an expression of the people's distrust of parliamentary democracy and the elections. The central issue in the boycott campaign was the torture by the sub-inspector of police in Shahada of an Adivasi on mere suspicion of complicity in a petty theft. The Adivasi, a watchman of the Crop Protection Society — a body formed by the kulaks — was held responsible for a petty theft of cotton from a Gujar's field (which had already been picked four times) and was brutally beaten in an attempt to extract a confession. When the third degree methods — including the administration of electric shocks — proved fruitless, the police officer sent the broken man away, 'satisfied' of his innocence. The man was very ill and badly needed medical help, but the first doctor he approached, a Gujar, refused to treat him. Eventually a doctor was found and the Adivasi had to be confined to bed for weeks.

The boycott of the elections focused the people's attention on this incident. Local youths campaigned vigorously for the boycott and organised meetings and processions all over Shahada. The campaigns opened up new contacts with scores of villages around, and provided a platform for elementary political education of the villagers who had experience of other such incidents of police brutality. The boycott itself was fairly successful. In spite of the kulaks' pressure, only 33 per cent polling took place, against the usual 55 or 60 per cent.

The third phase comprised bargaining for better terms by the saldaars, the annual contract labourers. Every year, in Vaishakh (i.e. April/May), the saldaars renew their annual contracts or enter into new ones with the employers. This time saldaars were organised into a union, the Shramik Sanghatana (Toilers' Union), which demanded a 50 per cent increase in wages (which ranged between Rs 400 and Rs 800 per annum), fixed hours of work (which depended on the whims of the kulak), a weekly holiday (the saldaars got no holidays at all; in fact, if, owing to natural factors like weather, etc., there was no work to be done on the farm, the saldaar would be considered 'absent' and his wages would be deducted proportionately), and proper

maintenance of books (the kulaks could exploit the illiterate saldaar by manipulating the books). The saldaars also insisted that they would negotiate separately for farm or domestic work, where earlier, the landlord would expect from them all types of domestic work. Alongside, a 50 per cent increase in the wages of day labourers was also demanded.

Initially, the kulaks refused to concede any of the demands. The saldaars went on strike. Some of the first strikes were spontaneous. They were joined by day labourers and small peasants, most of whom unemployed for part of the year and work as farm labourers. Soon the strike spread to over 70 villages. The strikes threw up an organisation structure: an elected five-member landless labourers' committee, subject to recall at any time, and the co-ordination of these committees at the taluka level through the Shramik Sanghatana. As the strikers held on, the kulaks yielded and, after negotiations with the saldaars' committee, conceded many of the demands of the saldaars and day labourers.

On May Day 1972, there was a rally in Shahada of over 8,000 saldaars, day labourers, and poor peasants. In contrast to most other May Day rallies in Maharashtra, this was no ritual. It was a successful meeting, in that, there was an open exchange of experiences, an attempt to understand what had happened and to formulate a general strategy, and programme of action. The meeting was addressed mainly by the landless, some of them women.

The fourth phase consisted of the first major struggle in the peripheral area. It was aimed at the abolition of the begari system and the acquisition of the cultivable waste land. 'Begari' is compulsory labour at very poor wages for the Forest Department. In April last year, however, begari labourers refused to work. The action was effective. The Forest Department officials have not tried to force the people to work. A few hundred acres of the waste land have been cleared for cultivation by 500 landless families organised over a dozen villages. This was deemed an encroachment on property and a tussle between the Forest Department/police and the people ensued. Over 150 people were arrested in July/August 1972, and sentenced to simple imprisonment of one or two weeks after being detained initially for a week or two weeks. The purpose of such prison sentences and detention is to break the people's spirit. But the result was quite to the contrary in this case. Political

workers, who were among those jailed, held classes in jail, explaining the significance of the imprisonment and the importance of more such struggles. It was evident at the end that those who came out of jail, far from being demoralised, were more determined to carry on the struggle (and were probably stronger in health too, as they got two meals a day inside!). The failure of the rains, however, prevented the sowing and cultivation of the land in the kharif season. On October 2, 1972, the landless launched a major open dharna on the land. Again, 200 people were arrested and sentenced. The plan for cultivation of forest land in the next season covers a wider area and envisages more militant struggles.

The fifth phase may be said to comprise numerous demonstrations and gheraos in various parts of Shahada and Taloda, involving thousands of people, demanding drought relief works from the government. For example, on August 22, a morcha of over 3,000 people gheraoed the Tahsildar in Shahada till he conceded their demand for half-a-dozen relief works to be started within 24 hours. Again, on November 18, about 1,000 persons demonstrated against a team of high-ranking Ministers (including the Union Finance Minister) who had gone to Shahada to inaugurate the new co-operative sugar mill. Morchas have also been organised before grain merchants' shops which have raised food-grain prices by anywhere between 50 and 100 per cent. In some instances the merchants have been compelled to lower prices.

With their participation in the many struggles, the political consciousness of the population is increasing. Their self-confidence is reflected in their defiance of the kulaks. Further, the new awareness has fostered a new culture: slogans and symbols, revolutionary songs and folk ballets. The movement is seen as part of their daily existence.

The kulaks have not been passive, of course. Their reactions and tactics have changed with the growing strength of the movement. They are class-conscious, shrewd, and politically farsighted, and they have strong lobbies in the Maharashtra government. They have among them their 'hawks' and 'doves'. Initially, when the 'hawks' dominated, their reaction was one of outrage and panic. In their desperation they spared no effort to smash the organisations of the landless and to harass the activists with police help. The activists were branded 'Naxalites'; goondas were set upon them; they were tried on absurd framed-up charges such as 'illegal tres-

pass of Shahada and Taloda police stations'. But as the political activity grew stronger, the 'doves' seemed to become dominant. They have begun to make concessions to the movement rather than attempt to smash it with armed force. Only four days after the big May Day rally, over a thousand kulaks deliberated and decided that it was best to concede some of the saldaars' demands rather than invite more trouble by obduracy. Their present tactic is to try to neutralise or buy off a section of the landless and to use subtle rather than crude means.

To sum up, the movement in Dhulia has taken the following course. Various sections of the landless and small peasants have been organised on the basis of demands for higher wages, land, etc. These organisations, based on collective action, have been consolidated as independent class organisations led by the democratically elected committees of the landless. In the process of their participation in the various struggles, the landless and small peasants are being politicised. A cadre of local youths, mainly drawn from landless families, is being formed to assume local leadership. It has become evident from the experience of the movement that caste and ethnic divisions cannot be an effective barrier to the growth of a revolutionary movement. Political education is necessary in order that, say, landless labourers from different castes and ethnic groups identify with one another as a class and coalesce into a strong organisation or union. But it can be done.

In the initial stages, the landless are less easily moved to organised revolutionary action than the somewhat better off small peasants. The initial short-term response of the small peasants may be better than that of the landless labourers, who, because of their dependence on the kulaks, and the existence of the huge 'reserve army', have less freedom of action, less political leverage, and may be wary of any open participation as may result in their victimisation at the hands of the kulaks. This is, however, true only of the initial stages. Later, the landless participate more actively and with more initiative than the small peasants.

It is often both tactically more useful and of greater revolutionary significance in the long run to organise the landless on wage issues and on the demand for employment rather than on the demand for 'land for the landless'. The latter demand is essentially petty bourgeois in character and is justified on tactical grounds alone and only under certain

* For a brief description of events upto February 1972 in this connection and for a description of the general socio-economic conditions in the area, see 'The Bhil Movement in Dhulia', *Economic and Political Weekly*, Annual Number, February 1972.

conditions. The long-established tactic of the Indian Left, of trying to mobilise the landless on the basis of the 'land for the landless', appears unlikely to work — especially in areas with a large concentration of landless labourers (most of whom may no longer aspire to own a plot of land) constituting, say, 50 per cent or 60 per cent of the popula-

tion, and engaged in labour on large capitalist farms.

It must be emphasised that, in Shahada, the rich peasants are no allies of the small peasants and landless workers. They are the principal enemy. This calls for a thorough re-examination of the Left parties' analyses, programmes and policies.

BANARAS UNIVERSITY

Part of a Pattern?

N K Singh

AFTER two months of closure, the Banaras Hindu University (BHU) reopened on February 5. The campus, India's largest, was closed *sine die* on December 2, 1972, after some 20 days of widespread violence, arson, looting, and assault on students and teachers.

In fact, periodic closures have become a habit at BHU. The latest one was the fourth indefinite closure to have taken place in the last four years. The Gajendragadkar report and other surveys have underscored that it is political parties which must bear the major responsibility for the lawlessness at BHU. This time, again, the situation had gone beyond control, according to the University authorities, because of "the organised efforts of groups of students, expelled students, and outside political and anti-social elements."

Indeed, a political tug of war is very much in evidence. The Vice-Chancellor, K L Shrimali — one time Congress Minister —, the University authorities, faculty members, and citizens of Banaras belonging to the CPI and Congress, have all openly blamed the RSS and its students wing, the Vidyarthi Parishad, for the current state of affairs on the campus. The VC charge-sheeted 34 students for alleged indulgence in violence and later expelled some of them; a majority of the 34 belong to the RSS-controlled Vidyarthi Parishad and Samajbadi Yuvjan Sabha (SYS) of the Raj Narain group. Meanwhile, the Jan Sangh, the Socialist Party, the Bharatiya Kranti Dal, the CPM, and the Shiv Sena (the last one is just a name in Banaras) also set up a committee — the 'Vishwavidyalaya Bachao Nagrik Samiti', which waited upon the District Magistrate and the Superintendent of Police to complain that the administration was biased in favour of the VC; the VC was branded 'double agent' of the Congress and the CPI and the Samiti joined the agitating students to demand his exit "if the

University was to be saved". On January 24, these parties went on to observe a 'Banaras Bundh' for the early re-opening of the university. The Vice-President of the BHU Students Union, Mahendra Nath Singh, an RSS man, filed a defamation suit in a local court against the VC, the Registrar, and the Public Relations Officer of the University. He alleged that Shrimali had unnecessarily blamed and defamed the RSS and the Vidyarthi Parishad.

Nearly four years ago, in 1968-69, the highly politicalised campus of the BHU had been in similar turmoil on account of the RSS; but with a difference. At that time it was the progressive students who were unitedly fighting against the pro-RSS VC, Amarchand Joshi. Today, however, the progressive students are split; indeed the RSS enjoys the support of the SP, the SSP, and the CPM. In 1968-69, the students were fighting for demolition of RSS Bhawan on the campus. Today, the main covert reason for the pique of the RSS boys is said to be precisely the move of the VC to demolish the RSS office.

There is no escaping the fact that, whatever its self-appointed role, the RSS is the main subject of controversy on the trouble-torn campus. And BHU is known to be the strongest base of the RSS-patronised Vidyarthi Parishad. The RSS maintains an office, and conducts 14 shakhas on the premises of the University. It must be remembered that it was the RSS-chief, Guru Golwalkar himself, a demonstrator at BHU at the time, who had acquired some land inside the campus for the paltry sum of Rs 2,500 and established the RSS office there. In 1948, after Gandhi's assassination, the RSS was asked to vacate the building; but in 1950, they managed to get permission to reoccupy it.

When, in 1968-69, there was a massive anti-RSS agitation in the University, demanding *inter alia* demolition of

RSS Bhawan, the government had appointed a commission of inquiry headed by P B Gajendragadkar, former Chief Justice of the Supreme Court. The Commission not only recommended demolition of the RSS building but also suggested a ban on RSS shakhas on the premises of the campus. Moreover, following the exposure of the nefarious activities of the RSS and the association of Vice-Chancellor Amarchand Joshi with the RSS, the late VC had to resign.

When K L Shrimali took over, he found he could not ban the RSS shakha. He moved for the demolition of the RSS office, but even this move failed in face of the then Samyukta Vidhayak Dal government's lukewarm attitude to the recommendations of the Gajendragadkar Committee. Shrimali thus had to move the court; the case is still pending.

The RSS took the opportunity to go on the rampage at the university. Its main objective has been to get the VC removed. The Jan Sangh daily, *Motherland*, commented on December 29, 1972, "So long as this political puppet plays his nefarious game in BHU it is not clear how peace and scholarship can return to the university". Agitations have thus been worked up on one pretext or another.

The first outburst of RSS violence during the Vice-Chancellorship of Shrimali took place in March 1970. A student was stabbed; the VC suspended two students; RSS leaders lead violent demonstrations on the campus which finally led to the closure of the university. In August, 1971, the RSS storm-troopers assaulted yet another student. The VC again expelled about a dozen RSS and anti-social students. At the Students' Union election of 1971, the RSS and its allies were trounced. But the newly-elected Union President, S K Kapooria, was murdered; and it is an RSS stalwart, B P Chaturvedi, who is standing trial in court. Towards the end of the year, in November, following the report of the Justice Desai Inquiry Committee, 29 RSS and SYS boys were either expelled or rusticated from the university.

All this angered the RSS. Its mouthpiece, *Panchjanya*, started a campaign in support of the expelled students and, against the university authorities. Meanwhile political equations also changed at BHU. On Raj Narain's initiative, the SYS forged an alliance with Vidyarthi Parishad which had been lying low following its exposure in the murder of Kapooria. The RSS got a new lease of life.

It is against this background that the

current agitation needs to be seen.

The 1972 BHU Students' Union election, held in October, was not without its usual tinge of politics. Ranged against the RSS-SYS alliance was the Congress-CPI alliance. A lot of money was spent by both sides, and political leaders visited the campus to canvass for different candidates. The Congress-CPI-supported Chhatra Sangthan candidate won the presidential election, but the posts of Vice-President and General Secretary went to RSS candidates. In the subsequent confusion, the RSS group concentrated its energies on getting the Union dissolved.

Meanwhile, the university authorities conceded the outstanding demand for student participation, without even waiting for the adoption of the forthcoming Amendment Bill of BHU. A student-teacher consultative committee was formed. Student representatives were even associated (as observers) with the board for selecting teachers.

The RSS tried to run down the consultative committee by opposing its decisions and creating hurdles in their implementation. They evidently feared that, if a dialogue developed between the students and the BHU authorities, the RSS might be edged out. The two RSS representatives, the Vice-President and the General Secretary of the Union, therefore, boycotted the meetings of the committee. The RSS also resorted to physical violence. A Harijan student was beaten up for daring to fight the election of the hostel union.

The RSS and SYS boys again resurrected the year-old demand for cancelling the expulsion order against their leaders. On November 17, 1972, at a public meeting, they got a 34-point charter of demands passed and took it to the VC as a charter officially put up by the Students Union Council. They asked the VC to fulfil the demands by November 25. Next day, the Congress-backed President of the Union also met the VC with his own 43-point charter of demands.

While Shrimali agreed to consider both charters, he also pointed out that some demands which were unreasonable could not be met. Among these were promotion of engineering and technology students who had failed twice, withdrawal of the expulsion order against those who had been found guilty of gross indiscipline, rotation of all the Heads of Departments, and the annulment of the regulations of the Bar Council of India as related to the Law Faculty. Two other demands were: financial assistance to students desirous

of visiting the Asia '72 Fair, and stopping of the 'malexpenditure' incurred on the Watch and Ward staff.

In a further attempt to stir up students, the RSS started propaganda that the Central Government was considering introduction of a bill in Parliament with a view to depriving the university of its traditional 'Hindu' character. Even as these attempts failed to rally the students round, the RSS students in collaboration with expelled students and other outsiders "continued to organise unlawful meetings in the campus, making unauthorised use of loudspeakers, disturbing classes and dislocating traffic inside campus." (Statement on the Closure of Banaras Hindu University, published by BHU authorities).

SIGNS OF ALARM

According to the Vice-Chancellor, "signs of alarm" began to appear on December 1, when he went to inaugurate the students' union of a local college and was assaulted by a section of the mob shouting slogans for readmission of all the expelled students. He was again gheraoed on his return to the campus, by a crowd of 500 persons, among whom were "several anti-social elements including an alleged murderer of S K Kapooria".

The Academic Council met in an emergency session at 4 p.m., and expressed its concern over the day's events. It assured the VC of its "full support" in all the actions he might take "in the interest of peace and normal functioning of the university". The Teachers Council of the university also met on December 2 and expressed concern at the previous day's incident.

The police, who had been called in on December 1, to protect the university, were withdrawn from the campus two days later, following an assurance from an office-bearer of the Students' Union that peace would be maintained. Observers in retrospect feel that this withdrawal gave trouble-makers a chance to reorganise themselves. Promptly on December 5, the Vidyarthi Parishad and SYS organised 'black day' and led a procession to the Town Hall. December 7, when the new Governor of UP, Akbar Ali Khan, was to come to lunch with Shrimali, was chosen for the next agitation. When it was learnt that student agitators had planned to gherao the Governor, the venue of the lunch was shifted from the VC's Lodge to a hotel in the city.

The procession organised by the RSS-SYS combination marched as scheduled to the VC's residence about 1.30 p.m. According to authorities, "Finding that the

VC was not at his residence, they gheraoed his lodge from all sides and some of the students had even climbed up the trees.... It was conveyed to the peon at the VC's lodge that if the VC did not return by 2.00 p.m. they will be free to take such action as they deem proper. Students were making fiery speeches and went to the extent of saying that, if their demands were not conceded, the whole university would be burnt. Under these circumstances both the Commissioner and the DIG of Police advised the VC not to return to his residence till the crowd had dispersed." The police entered the campus and dispersed the violent mob by using force. Most student leaders were arrested.

After this, the RSS went on a spree of violence, loot and arson. University offices were broken open. The branch of the State Bank was attacked and attempts were made to loot it. The cafeteria and the City Delegacy Office were broken open and looted. A tent near the telephone exchange was set on fire, and two headgears of the exchange were taken away. Attempts were made to set the post office on fire. The university dispensary too was broken open. A car of the University was badly damaged. A woman on the campus was robbed of her necklace; and there were many other sporadic incidents at different places.

The following morning, with the university roads still strewn with brickbats, violence erupted once again at 8.45 a.m. when Umesh Prasad, Reader in Economics, badly assaulted by the hooligans had to be hospitalised. Also mercilessly beaten up were: Hira Singh, senior research scholar and member of the Students Federation (CPI); Student Union President Harikesh Bahadur; and Congress leader Upendra Vikram Singh, who had contested the Vice-Presidency. The Red Cross Office, the BHU Co-operative Stores, Raj Stores, the Students Co-operative, and the PWD store were broken open, looted, and set on fire.

According to the university authorities, "the mass outbreak of violence, arson, and looting by unruly elements necessitated the closure of the University", and students were advised to vacate the hostels within 24 hours because "a large number of expelled students and quite a large number of other anti-social elements from the city had taken shelter inside the campus under the protection of the agitators."

It should be noted that, in a campus of about 34 hostels where 6,000 students live, apprehending the "lawless" ele-

ments was bound to be a difficult task. There may be some substance in the student leaders' allegation that, when the PAC constables were called in to the campus on December 8, they virtually ran amuck, beating up innocent students in their rooms and taking away valuables. Even the Congress-backed President of the Union stated, "Once PAC enters the campus, the situation deteriorates because only lawful and innocent students get beaten. I was surrounded with 20 innocent students who were beaten mercilessly by PAC". He, however, went on to pin "The responsibility for this whole tragedy" on the RSS/Vidyarthi Parishad and a section of misguided SYS (Raj Narain Group)...

According to Mahesh Sharma, Secretary of the state unit of the Vidyarthi Parishad, about "8000 students had collected peacefully to seek a clarification from the Vice-Chancellor on his attitude to their demands." But the police beat up more than 500 students, mainly of Birla and Brocha hostels, in Shriali's presence. The condition of 200 students was serious when they were forced to leave the campus and not allowed even to visit the hospital or to report to chief proctor's office. He, however, did not agree with the argument that the police entered the campus as there was a possibility of outbreak of violence, but claimed that if even a single instance of destruction of property or violence between November 17 and December 7 was proved "our members will quit offices in the Students' Union".

But the teachers, academicians and eminent citizens of Banaras had another view. Considering the attack on the VC and Umesh Prasad as "an assault on the entire academic community", on December 8, a meeting of over 1,000 teachers strongly condemned "the manner in which a group of students especially the Vice-President and General Secretary of the Students Union belonging to Vidyarthi Parishad in collaboration with the expelled students and outsiders, declared trespassers, put the whole university to ransom and created such ugly situation which ultimately led to violence, arson, loot and physical assault on members of the academic community." While appealing to the political parties "which are misguiding the youth not to interfere in the university affairs", the teachers asked the university authorities, the state government, and the Government of India, to take "such strong and effective steps against the miscreants so that normal functioning of the university may not be affected year after year."

A meeting of the citizens of Banaras, too, blamed the RSS, working in collusion with anti-socials, for the acts of violence and assaults on teachers and use of abusive language against members of academic community of EIU.

Following all this, the VC has appointed a three-member committee, headed by a former judge of the Allahabad High Court, Gyanendra Kumar, to inquire into the acts of indiscipline and misconduct by 34 students. The commission has already started its inquiry.

A POLITICAL PLAN?

An analysis of the events does lead one to believe that BHU is part of a larger political plan. Ever since the Jan Sangh was trounced in the 1972 Assembly elections, it has been trying to create trouble using one pretext or another even creating a pretext where none exists. Student violence has often

started on the basis of some just grievance, but soon got intermingled with some imaginary ones. The Delhi University where the union is in the hands of RSS-controlled Vidyarthi Parishad, is one such example. BHU is another. Reportedly, one of the main slogans of the RSS boys at BHU was "Dilli ka Badla Banaras main Lenge" ("we shall take revenge for Delhi at Banaras"). But while RSS may be the instigator, at both places, it has had active support from some 'Left' forces — such as the SSP and CPM. Quite often using the issue of the undemocratic set up of the University to launch agitations, the agitations culminate in large-scale violence, with the police being called inside the campus. This provides the students with the classic cause of "police brutality" The agitation is stoked up. Normalcy is disrupted, and the RSS gains strength in the process.

Larsen and Toubro

LARSEN and Toubro is acquiring 54,226 equity shares of Rs 100 each in Hindustan Brown Boveri at par from Brown Boveri of Switzerland. L and T already holds 5,500 shares in HBB and Engineering Construction 6,000 shares, which together is about 4 per cent of the equity capital of HBB. BBC holds about 50 per cent of the equity capital of HBB. With the proposed acquisition of shares, L and T and BB will become equal equity shareholders in HBB, with each holding approximately 27 per cent. L and T's increased interest in BB will benefit both companies. HBB's range of manufacture is complementary to that of L and T in the electrical field, and ability to make joint offers would

strengthen the position of both companies technically as well as commercially. Besides, advantages would accrue to both of them through streamlining of their marketing activities. Considerable scope for joint research and development, exchange of personnel for training and work, and the widening of opportunities to both companies, could be envisaged as a result of close collaboration. Moreover, it is hoped that for L and T co-operation with BB and HBB will open a "window" to the world and place it in an even more favourable position in regard to acquisition of knowhow, research and development for the manufacture of additional electrical, and electronic equipment.

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VIETNAM JOURNAL

The Modest Victors

Harish Chandola

AN aerial Dien Bien Phu took place over Hanoi in the 12 days of December last, from 18 to 29. During this period the United States tried to implement its threat to bomb North Vietnam back to the stone age. And lost. It lost 81 planes in those 12 days to anti-aircraft fire and to the skilful and determined fight put up by the small North Vietnamese Air Force. North Vietnam's fighter planes broke formations of US bombers and fighter-bombers and its anti-aircraft guns and missiles tracked and brought them down. Among the 81 planes shot down over Hanoi, there were 34 B-52s and five F-111s, the latter being the most sophisticated, advanced, versatile and expensive aircraft in the US arsenal. (The total number of US airplanes downed over North Vietnam from August 5, 1964 to January 17, 1973 is 4,181, including 65 B-52s and 13 F-111s shot down in the later part of 1972.) This was just like Dien Bien Phu in 1954. To continue bombing would have meant drastic damage for the US Strategic Air Force, about whose devastating destructive power much had been said.

In Hanoi's zoological park, next to the cage of mocking birds, is an enclosure displaying the debris of a B-52 bomber of the US Strategic Air Force, brought down over the park itself. These day more people visit the zoo to look at the fragments of this monster bird of death than at the animals. In that enclosure are its three-storey high tail-fin, shreds of wings 50-feet long, with ailerons torn out of them, fuel tanks that could store water for a whole small town and engines as big as generators capable of supplying power to a small town. A poster hung from a tree over these pieces of the murder weapon shows young militia women rejoicing with cherubs, and is captioned: "Victorious Hanoi". Anywhere you go in Vietnam, the people you meet say: B-52s are nothing to be afraid of and F-111s cannot frighten us. We can root them all down". You have only to visit the various parts of the country, where fragments of B-52s and F-111s and Phantoms lie, to realise that this is not an idle boast.

The US applied the fiercest means to over North Vietnam by bombing the populated quarters of Hanoi, which it had spared until last year. But the Vietnamese had taken measures which

saved many lives. 1,318 persons were killed in the 12 days of carpet-bombing. (In the Korean war over 8,000 were killed by bombs in a single day.) Of Hanoi's 670,000, about 500,000 had already been evacuated to the countryside before the terror bombing started.

On the outer wall of the bomb-wrecked Quoc Doanh Det spinning mill of Nam Dinh, Vietnam's textile city, 80 per cent of which now lies in ruins, is displayed a poem of Ho Chi Minh. It says:

"The rivers, the mountains and the men are safe; We will build our country ten times more beautiful."

The Vietnamese have already taken the first step towards that. These industrious people have a remarkable capacity to recover. The first day I visited the bomb-flattened Kham Thien street, I saw a small girl of about ten crying and wiping her tears with one hand and with the other picking up whatever ruined property she could salvage from the spot where her house must have been before it was wrecked. Four days later when I went to the destroyed street again and passed the place where I had seen the whimpering girl, there stood at that spot a very small hut of piled-up bricks, without a door, and inside it I could see a family altar, with oranges and joss-sticks and a few twigs of peach with their first flowers. And in a corner of it the same little girl was performing some household chores. It was the beginning of a new life! Several other survivors had also piled up the salvaged bricks and unbroken roof-tiles in neat stacks in Kham Thien to build new houses from the wreckage of the old.

Wherever you go these days, the roads of are full of people returning to their homes from the countryside to which they had been evacuated before the bombing. They bring with them their meagre belongings: a chair, a bench, a bed, mattresses, a kerosene lamp, books and all kinds of household knick-knacks. They bring them back on trucks and on trailers towed by tractors and on bullock-carts. But most of them carry their things on carts drawn by the head of the family and pushed by its other members.

And to whichever city you go, you see salvage, repair and reconstruction work already in full progress, just a month after the bombing. In Nam Dinh,

the people are putting up pre-fabricated houses and also huts of bamboo-mats and thatch to accommodate those returning; because most of the houses have been destroyed.

The Vietnamese have a 4,000-year-old history of struggle against foreign invaders. During the first 2,000 years, the Chinese feudalists committed innumerable aggressions against them, but were always driven out and defeated. In the 13th century, Vietnam fought the Mongol invaders, the Spanish conquerors in the 15th and 16th centuries, the French colonialists from 1859, the Japanese fascists during the Second World War, Chang Kai-shek and British troops immediately after that War, and the US and its allies since 1954.

It is in this light that one has to view their present struggle against aggression. They have gone through untold sufferings and hardships during their long history but they have never given up their struggle. The French and the Japanese had together imposed a famine on them from August 1944 to 1945 to weaken Vietnamese resistance. In that one year two million Vietnamese people died of hunger, but those who survived never abandoned their struggle against foreign domination.

One has to visit the museum in Hanoi of the Central Commission of Investigation into US Crimes in Vietnam to see what North Vietnam has gone through during the past nine years of the war. There you can see the high-explosive bombs rained on it: the 250 pound bomb, the 500 pound bomb, the 750, 1,000 and 3,000 pounders; the six-foot-long delayed action bomb which blows up hours after the bombers have left and people have come out of shelters and are going about their business; anti-personnel weapons like the steel-pellet bombs and 'Guava' bombs, containing 154,000 to 192,000 pellets, each of which can kill a person; the spider mine which spews out gossamer-like plastic strings which explode when one touches them; the dragon-tooth mines, tiny seed-like things dropped densely on the ground to wound and incapacitate people; anti-tank rockets used against people inside shelters (the rocket produces a temperature of 3,000 degree centigrade and tremendous pressure to penetrate strong shelters); the phosphorus bomb; the napalm bomb to burn people; and the phosphorus-napalm-thermite bomb of very high temperature which burns people and leaves survivors with serious blood and liver ailments; air-to-ground missiles with which warplanes can damage cities from a distance and without flying over them; CS gas bombs and so on. The US has dropped 15 million

tons of such and other bombs and shells on Vietnam. In the entire Second World War only 6,103,000 tons of bombs were dropped and in the Korean War 3,290,000 tons.

In that museum you can also see the 'Tropical Plant', an electronic sensor dropped from planes, which buries its heavy base, containing instruments, deep in the ground and displays only its stem and branches over the surface, which look like a tropical plant, but are in fact receivers and transmitters picking up noises in the neighbourhood (people walking or going on bicycles, etc) and communicating them to planes flying nearby so that they can come in and bomb or strafe anything that makes a noise. This was part of the electronic war in Vietnam, a war which enabled US combat troops to go home, because it could be fought from the air with the help of such disguised devices on the ground.

In 1967 Johnson had ordered the narrow waist of Vietnam, from the 20th parallel down to the 17th (the dividing line between the two Vietnams), to be bombed, first to cut the supplies that flowed from there to South Vietnam and to turn this southern quarter of North Vietnam into a "white area". The bombing was intensified to cause terror. Nixon continued that policy. By day the area was bombed from the air and at night warships of the US Seventh Fleet shelled it. Villages and towns in Vinh Linh and Quang Binh provinces were completely destroyed. Hospitals in that area became special targets, so that bomb victims might not get medical aid and the population in despair might rise up against the government. In 1967, Hoxa Hospital, just north of the 17th parallel was completely wrecked. The leprosy hospital in Quynh Lap was attacked 34 times the same year. There was no hospital left on the ground between Vinh Linh and Thanh Hoa provinces. The object of the bombings was also to spread disease into the countryside. It was hoped that when the patients were evacuated from the destroyed hospitals to the countryside, they would spread their diseases. Hospitals therefore had to be built below the ground and in caves, safe from air attacks, and they are still functioning there.

Kindergartens and schools in that southern part of North Vietnam were attacked. Both students and teachers were killed in attacks on the Teachers' Training School in Vinh. Churches were also bombed. Under Nixon, extermination raids were conducted between 1969 and 1971 in Ninh Binh pro-

vince, the home province of many Christians. The purpose was to cause despair among the Christians and turn them against the North Vietnamese Government. Dykes and dams were bombed in 1972, during the rainy season from May to August, to create floods and drown the people in the countryside.

But all these tactics failed to cause an uprising or to compel the people to give up their resistance struggle, though many lives were lost and hundreds of towns and villages were laid waste. In the Historical Museum of Vietnam there is a 4,000-year-old large bronze funerary jar. On top of it, on all four sides in relief are couples making love. It displays the old faith that life will go on in spite of death. The Vietnamese demonstrate that faith. They have a remarkable ability to recover. No agent of death has been able to destroy life on this land.

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One is likely to be misled in making an assessment of the Paris Agreement on Vietnam if one does not know how the Vietnamese people themselves view it. Let me therefore present, according to my own understanding, their own estimate of it and also describe how they evaluate their victory and what they think of their future.

Some superficial scholars have stated that the Paris agreement of January 27, 1973, takes Vietnam back to the point at which it stood just after the Geneva Agreements of 1954. Nothing could be further from the truth. If you compare the two agreements, you would see that the Geneva Agreements of 1954 called for the regrouping of all liberation forces of South Vietnam in North Vietnam (South Vietnam was then to remain for a while under French domination). According to the Paris Agreement of this year, the liberation armed forces of South Vietnam and also its Provinces, safe from air attacks, and they are stay on their own territory.

The implication of the 1954 agreements was to divide Vietnam into two zones and then to tackle the problem of reunifying North and South Vietnam. The Paris Agreement makes no mention of North Vietnam; it has been concluded mainly to settle the problem of South Vietnam. The 1954 agreements accepted that half of Vietnam (North Vietnam) had been liberated. The present agreement is to settle the problem of liberation of South Vietnam, the remaining half of the country.

The 1954 agreements mark the beginning of US domination in South Vietnam. The Paris Agreement inaugurates

the period of complete US withdrawal from it. The most important point of the Paris Agreement is the US acceptance to respect the sovereignty, independence, territorial integrity and unity of Vietnam. This is precisely what North Vietnam had sought in its four-point stand announced on April 9, 1965.

Two days earlier, on April 7, President Johnson had made a statement in Baltimore expressing US readiness to negotiate a settlement of the South Vietnam problem on condition that North Vietnam undertook to withdraw its troops from South Vietnam and recognised South Vietnam as a sovereign country and the Saigon administration as the only legitimate government of the people of South Vietnam. The Paris Agreement totally rejects this position. According to it, the US agrees to respect the sovereignty and territorial integrity of Vietnam and undertakes to withdraw its troops from it completely. The US had wanted to turn South Vietnam into its military base. It had signed some treaties with the Saigon administration, according to which the US was to keep its extensive military base in Cam Ranh Bay for 100 years and its immense Danang military base too. According to the Paris Agreement there will be no US military bases in South Vietnam and the US will have no right to stay even on the smallest island of that territory. This implies that the US must totally end its aggressive war there.

In the Paris Agreement the US undertakes to respect the right of self-determination of the South Vietnamese people. It accepts that at present there are two governments, two armed forces and two zones within it and it respects the right of the South Vietnam people to solve this problem without US interference. The US also accepts the responsibility of healing the war wounds of Vietnam and of helping in rebuilding the country.

Of course, there are many complex problems in carrying out the Paris Agreement. There are forces which want to break this agreement. That is why the Vietnamese say that their struggle has won great victories, but not complete victory. "We have to continue our struggle to get this agreement implemented", they say. They have to see that peace is maintained so that national concord can be carried out and the country is reunited peacefully.

The Vietnamese say their struggle to achieve the above aims will overcome hardships. They are optimistic, because, they say (1) they have already overcome most hardships. Some time ago there were half a million US troops in South

Vietnam and the US was bombing North Vietnam, which had to bear 15 million tons of bombs and shells. This war was a trial for the party which led the nation and also for its social organisation. The Vietnamese have overcome this and most other difficulties and they add that they fear none now.

(2) The balance of forces in Vietnam has changed much. At the time of the Geneva Agreements in 1954 there was no modern army in North Vietnam. It had hardly any assets. It had on its hands a country destroyed by war. Now North Vietnam has an Air Force, Navy, infantry, anti-aircraft weapons and a very solid defence. In South Vietnam the liberation armed forces have scores of regiments and divisions, which constitute its regular forces, plus hundreds of thousands of militia and guerillas. And they are all armed. Not like in 1954, when they had to fight with bamboo sticks. In 1954 the US had started interfering in Vietnam. Now it has to withdraw. There is therefore a great difference in the balance of forces now and that of 1954.

The other main point to understand is how the Vietnamese estimate their victory. They have a 4,000-year-old history. They have the experience of 40 centuries of struggle against foreign aggressors. All the great imperialist powers had invaded Vietnam and the Vietnamese had fought them. Since 1850 Vietnam fell under the domination of Western powers. In the last 113 years there was not a single day when there was no foreign invader in Vietnam.

If the Paris Agreement is sincerely and strictly carried out (less than one-and-a-half months are left now for carrying it out), for the first time after 113 years there will be no foreign invader on the soil of Vietnam. The Vietnamese will have ended a century of Western domination and opened a new period of their history. This is one significance of the Paris Agreement.

FIRST TOTAL US FAILURE

The second significance is that the Vietnamese have destroyed the aggressive aims of the most powerful imperialist country. This is the first time that the US has to withdraw from a country completely. It must not hold any part of this land. This is the first complete failure of the US.

At the inauguration of his second term of office, on January 20, 1973, President Nixon had to say that the US will no longer be the policeman of the world, and that it will no longer get involved in any war. For the last 25 years the US had functioned as the

international police force. It wanted to be the master of the world. But now it has to admit that it cannot be.

The US had devised and used many strategies and tactics to achieve its aims in Vietnam. Four successive Presidents came to the scene during the Vietnam war, each with his own strategy, each escalating the war higher than his predecessor. President Nixon had escalated it to the highest point, with utmost brutality, when he ordered the bombing of Hanoi with B-52s.

But in this war the US weakened its ground forces. Its naval force (Seventh Fleet) suffered damage. The awe in which the US Strategic Air Force was held in the world is now destroyed. What intimidating weapon has the US in its hands now? The H-bomb? But it dare not use it, because if it does, the whole world will rise up against it. The most modern weapon in the US Air Force was the F-111. But when it was sent to Vietnam, it was shot down by very young girls, with rifles.

The third significance of the Paris Agreement is that a small nation like Vietnam, with a small population, not rich and in fact poor, can with determination and correct policy defeat the greater imperialist power. It also proves that man is stronger than technology and that weapons cannot defeat the determination of a people to win independence and freedom. The Vietnamese were a determined people and they knew the way to fight successfully. They have made a great contribution to the capability of national liberation movements to fight successfully.

The fourth significance is that the Vietnam struggle has contributed to the strengthening of the forces of justice and humanity. The US carried out an inhuman and barbarous escalation of the war. The Vietnamese had also to escalate. But they escalated their faith in the ingenuity and dignity of man. And finally man's dignity and civilisation won over brutality and barbarism. The Vietnamese consider their victory as the victory of all the progressive peoples of the world, because they supported the Vietnamese and encouraged them. After the signing of the Paris Agreement, the great Vietnamese poet, To Huu, wrote a poem: "Vietnam: Blood and Flowers", of which one line says:

"Just as nobody's suffering is alien to all of us,

This Victory belongs to all of Man-kind."

The Vietnamese say that they have educated their people about the wholehearted support they have received

TASKS AHEAD

The Future: The Vietnam struggle has reached a turning point. From an armed struggle it now becomes a political struggle. From a dominated position the country arrives at an independent position. From war it turns to peace. That is why the Lao Dong Party (the ruling Workers' Party) a few days ago issued an appeal, which said that the great victory of their struggle against US aggression, for national salvation, opens for the Vietnamese nation a splendid period of development. The people will now march forward and take their country to a new stage of independence, democracy, prosperity and unity. It said the people will make Vietnam a model, with modern industry and agriculture, and with great development in the field of culture. Vietnam will have a historic period of ten years, during which the living standard of its people will be greatly improved, both spiritually and materially. It added that, with the clearheadedness and heroism of their people, they will make their country an advanced country. They will catch up with the advanced nations within a short period. They believe they can do this, because they have gone through many hardships and the world continues to support their people.

In outlining the task of the people, the Party said that they have to continue their struggle to get the Paris Agreement implemented seriously and strictly, because this will do good to the Vietnamese people. This agreement provides what the Vietnamese struggle had sought to achieve. The Vietnamese had to fight for 19 years to reach this agreement. That is why they want to carry it out. But in South Vietnam and the US there exist reactionary forces which want to destroy peace and that is why the Vietnamese people have to heighten their vigilance and seek the help of their brothers the world over to get this agreement implemented. If the agreement is carried out, peace in the area will be consolidated and preserved.

The second task given to the Vietnamese people is to do their best to achieve national concord. The policy of imperialism is to divide and dominate. But the policy of revolution is national concord, unity, solidarity, independence and freedom to build up the country

together. The people in South Vietnam have been told not to place importance on hostility between political elements there. They should consider that whatever the Saigon regime did was because of imperialism and not because of itself. The pro-American people in South Vietnam are victims of the US policy of neo-colonialism. That is why the other Vietnamese should love them. That is why they should struggle to achieve national concord. They should

BANGLADESH

Political Economy of Reconstruction

Angus Hone

THE results of the election of March 7 have confirmed that the Bangabandhu has an unparalleled hold on the people of Bangladesh, but these same results mark the beginning of serious economic planning and plan implementation for Sheikh Mujibur Rahman and the Awami League. The difficult tasks of translating political freedom into economic independence and growth must now begin. The First Five-Year Plan (1973/4-1977/8) will appear in late April or early May, and will provide a more comprehensive guide to national growth strategy and policy objectives. However, it is overwhelmingly clear that the period of *ad hoc* national reconstruction must be brought to a close and that longer-term economic decisions must be taken which will recognise the acute economic difficulties faced by the nation.

The economic situation in Bangladesh as Pakistan rule came to an end in 1970-71 was already bleak. The annual rice deficit averaged over one million tonnes and total production was growing very slowly; the jute yields per acre were low and jute was facing increasingly stiff competition from bulk handling and synthetics, particularly in the world market for sacking which was dominated by East Pakistan mills. The social overhead capital of the region was rundown: the railway system and roads were inadequate, power generation was insufficient, no adequate irrigation or flood control measures existed. Industry had developed slowly, and 80 per cent of the large-scale sector, along with still larger percentages of banking, insurance and shipping, were dominated by West Pakistanis.*

In early 1972, with cries of "Joi Bangla" still ringing in their ears, some believed that the economic prospects for

not allow the people to be divided on the basis of religion and between communists and non-communists. All attempts at division must be fought against. By achieving national concord, they will create conditions to preserve peace and end war.

The third task of the Vietnamese people will be to reunify the country, step by step, peacefully on the basis of consultations between the people in the two zones (North and South).

Bangladesh were excellent. I N Mukherjee's "Economic Development of Bangladesh: A Probe into Viability"*** represents such a view, which completely fails to take into account the food deficits, the impact of synthetic competition on jute, and the massive physical and administrative disruption caused by the Liberation War. Even the most thorough book on the planning problems of the Bangladesh economy, Aziz Rahman Khan's "The Economy of Bangladesh",† is much too optimistic about the resource base and underestimates the administrative problems of implementing even the best Plan in a predominantly rural nation, which had been misruled for almost 25 years.††

FOODGRAIN DEFICIT

The major problem remains agricultural. The crop year 1972-73 is estimated to have resulted in 2.5-3 million tonnes of foodgrain deficit against a 'normal' deficit of 1-1.5 million tonnes. Even a normal deficit in 1973-74 would be extremely serious as the railway link

* A very useful detailed but neglected account of the resource base is to be found in Nafis Ahmed's "The Economic Geography of East Pakistan" (Oxford, 1968), although it must be supplemented by the *Pakistan Development Review* and government publications.

** See I N Mukherjee in "Pakistan Political System in Crisis" edited S P Varma and Virendra Narain, Jaipur, 1972, pp 163-172.

† A R Khan, "The Economy of Bangladesh", London 1972.

†† See Arjun Sen Gupta's generally persuasive article on regional disparities between the East and West Wings in 1947, "Regional Disparity and Economic Development of Pakistan", *Economic and Political Weekly*, November 6 and 13, 1971.

between Chittagong and Dacca will be finally repaired only in July or August 1973, and as the losses of country boats during the Pakistan army action will take several years to be restored in full. The 'mini-bulkers' of the UN relief operation are now scheduled for withdrawal at the end of the year, though it is presumed that they can be leased or purchased during the 1973-74 crop year and beyond.

The task of improving agricultural output is immensely difficult. The areas covered by 'assured irrigation' and flood control are small, and the number of pumpsets, wells, etc, are no indication of those actually operating. Maintenance of all industrial and agricultural equipment, the provision of spare parts and essential inputs such as diesel fuel, grease, etc, is in most districts an endemic and unsolved problem. The improved varieties of IRRI rice (whatever their edible qualities) are highly susceptible to the depth of water, drought, fertiliser, pesticide, and herbicide application; in the circumstances of Bangladesh, it is almost impossible to get the right package to the right farmers at the right time. The results in 1972-73 were sharp falls in the per-acre yields in a number of districts, which had pioneered the new varieties. The full extent of the problem in rice production can be realised only if it is remembered that the three-year average rice production from 1963-64 to 1965-66 was 10.4 million tonnes, whereas the 1967-68 to 1969-70 average was only 11.5 million. An increase of only 10 per cent in the average rice harvest over 7 years — far below population growth rates at 2.8-3.0 per cent annually — is clearly unsatisfactory.

A further complicating factor is the rapidly deteriorating protein position. The outdated 1962-1964 nutrition survey has been recently supplemented by a UN/Government of Bangladesh survey carried out in 1972. Major protein intake is from rice (35 grams per day), animal protein from fish (6 grams per day), and protein from pulses is as low as 5 grams per day. It is hardly surprising that 45 per cent of children screened in the 1972 survey suffered from mild to severe malnutrition.

A final problem is the political commitment to co-operatives and to co-operative marketing — which is part of the Awami League's programme. An attempt to impose an immediate co-operative solution would disrupt the centuries' old distribution networks that rely on middlemen for the financing, buying, and grading of rice, jute, and fish. At the present time these difficul-

ties would be compounded by the inadequacy of inland water transport; but a long-term effort to establish viable co-operatives is justified.

The problems of the agricultural sector, moreover, cannot be solved in Dacca. A series of district and thana-level plans must be drawn up to enable the Ministry of Agriculture and the Planning Commission to monitor progress at the micro-level. The present provincial administration must be rapidly rebuilt at the district level and steps taken to recruit, train, and support, extension service officers in the rural areas. Similarly, an effort must be made to build up mobile maintenance teams, which will ensure that the electrical and diesel irrigation machinery is fully utilised and that new machinery does not remain unutilised because it cannot be repaired or because spare parts are not available. The question of inputs should be analysed on a district-by-district basis. The past experience in Bangladesh suggests that however inadequate overall national procurement of inputs has been, distribution at a district level has been far worse. The protein problem cannot be readily solved in the short term; efforts to gradually shift consumption from low protein rice (7 per cent protein) to wheat and other cereals (10-14 per cent protein) will continue, but the efforts to raise fish and poultry production through more scientific cultivation must be expanded. Fish production is approximately 800,000 tons per year, and yet this tonnage provides only 6 grams of protein per head per day. Vegetable cultivation must be encouraged too, but again, it will be a very long time before dietary habits change. One possible supplement is *fish protein concentrate* which could be imported or produced in bulk and distributed to all citizens as a low-cost dietary supplement. Its cost is substantially below any other source of protein immediately available, and in the longer run could be easily produced by the Bangladesh Fisheries Development Corporation as part of their Chittagong fish harbour development.*†

These policies in the agricultural sector need immediate study and implementation. The chief difficulty will be a shortage of cadres — trained and untrained — willing to live and work in the rural districts where more than 90 per cent of the population live. Agricultural reconstruction will not be pos-

*† I am indebted to Cato Aall's paper, "How to tackle the protein gap of Bangladesh" (mimeographed Dacca 1973), for information on the protein question.

sible without committed administrators, extension workers, and maintenance teams working in each district. They will have to be supported with inputs, but their commitment to rural development is essential.

FOREIGN EXCHANGE CRISIS

The second set of reconstruction problems relate to the foreign exchange position of Bangladesh. In the course of 1972-73 and almost certainly in 1973-74, the government will be forced to use foreign exchange reserves (over and above what is granted or supplied by the international community) to purchase rice on the world market. The critical nature of the foreign exchange situation is now fully realised. The value of the taka as an international currency is entirely linked to the future competitiveness of jute. Without the present level of total raw jute offtake (7,500,000 bales in raw jute as well as in the form of yarn, sacking, hessian and carpet-backing), the value of the taka will steadily fall in the free market. At present the prices of jute and jute goods are too high in relation to their synthetic substitutes. India would be well advised to cut or abolish the duty on secondary carpet-backing cloth, but Bangladesh must not only match and undercut Indian prices on carpet-backing, it must provide raw jute to the declining Western European and developing country industries at a price, which will maintain Bangladesh's total raw jute offtake and prevent any further inroads by kenaf or synthetics. Jute, in 1969-70, accounted for 91 per cent of East Pakistan's foreign exchange earnings (although only 65 per cent of inter-vening trade is included), and in 1972-73 the export target of 300 crore taka is still over 85 per cent dependent on jute and jute goods (250 crore taka). The non-jute exports — tea, leather, paper and pulp, spices and fish — require a clear incentive policy which cannot be discovered from the complexity of the exchange rate for jute.

These considerations are further complicated by the very weak position of the taka against the Indian rupee. In Calcutta and Dacca, 200 takas can be exchanged for 100-120 Indian rupees; and the growth of this disparity has caused limited, but politically embarrassing, smuggling of rice, jute, shrimps and leather, difficulties in completing the raw jute and fresh fish purchases under the 1972-73 Indo-Bangladesh trade agreement which ends on March 28, and a certain amount of capital flight through Calcutta.

The taka will have to be eventually

devalued by 20-25 per cent to enable jute and jute goods to remain competitive, while a major counter-attack is mounted jointly with India through 'Jute International', which will be responsible for marketing, promotion and technical support to jute users. Similarly, any expansion of the carpet-backing loomage would have to be very carefully considered in view of the surplus capacity available in India. Only the jute sector's competitiveness (assisted by rapid oil price increases from 1973-80) will ensure stability for the taka; but while that is being accomplished it should be possible to boost non-jute exports by payment of a 20-30 per cent cash subsidy, making raw materials available at internationally competitive price and giving full consideration to the export industry's requirement of balancing and modernisation machinery as well as new equipment. The rules on foreign investment should be still further clarified, and clear regulations evolved to attract local managers and traders from indenting into the export business. A study should be undertaken to examine the feasibility of an export processing zone at Chittagong (for certain selected labour-intensive industries such as leather, clothing, plastics and electronics). Whatever is done for non-jute exports, the economic future of Bangladesh during its First Five-Year Plan and the value of the taka will depend on maintaining the long-run competitiveness of jute and by implication on the present total raw jute offtake (in raw jute or its manufactured equivalent). The taka's value cannot be treated as a political variable, and the Prime Minister must bear in mind that the medium-term ability to pay for imports (above the levels supplied through national or international aid agencies) will depend for the foreseeable future on jute's earning power. Even in 1977-78, jute will represent 70-75 per cent of total export earnings.

A third problem undermining the planning framework and making reconstruction increasingly more difficult, is inflation. By January 1973, the index for clerical workers had risen nearly 30 per cent above the January 1972 level. But this index considerably understates the extent of inflation because it assumes that rice can be bought from government shops at taka 40 per majmd (82 li) against a free market price of 80-100 taka; it also ignores the fact that cigarettes have become a black market commodity, cotton yarn and cloth have risen 150-200 per cent, edible oils by 200 per cent, and fish by 100-150 per cent. There are also shortages of su-

gar, kerosene and petrol. Money supply has been sharply expanded from Liberation in December 1971 to March 1973, but its exact rate of expansion is difficult to determine because the Pakistan Army's destruction of currency notes and bank records before surrender has made estimation a dangerously hit-and-miss exercise. This inflation was partially caused by the gross underestimates of import requirements in key government agencies during the first half of 1972. Shortages of all commodities, given much of the present unpopularity of India, are somehow linked in the ordinary citizen's mind as resulting from India's demand and the opening of the border. The inflation is worsened by the uncertainty caused by government's lack of decision on the status of savings certificates, bonds, and other holdings of the urban middle class. The result is that no savings are being generated and everyone is converting the taka into goods or Indian rupees.

An inflationary spiral in 1973-74 would not only undermine the competitiveness of exports (only a series of devaluations of the taka could prevent this from occurring), but, far more seriously, it would bring the Prime Minister into direct conflict with the small, but politically important, middle and working class in the urban centres. The government will be forced to act immediately as continuing the present policies of benign neglect would only contribute to further inflation.

A first step must be a cut in the rate of growth in money supply, which will necessarily have to be linked to a policy of high interest rates for bank deposits and savings certificates. A scheme might be considered for compulsory savings, at 5-10 per cent of current wages, although these savings should be fully protected against inflation by being linked to a reliable consumer price index. The compensation promised for those businesses taken over from Bangladesh citizens (particularly in the jute trade) should be paid immediately and in full. Finally, the government should use, fair price shops and import policy to control any price increases, which threaten this policy of cutting back inflation. A most difficult area to handle is the problem of the rupee/taka parity and the taka's extreme weakness in the free market or 'black market' against other foreign currencies. The proposed devaluation will be only a partial solution, but if it is combined with a limited right to buy foreign exchange (Indian rupees included) at 100-150 per cent over the official parity: for foreign travel, education, etc, upto 1000/1500

taka per year, there might be some partial respite from the present rampant currency speculation.

PROBLEMS OF IMPLEMENTATION

The most serious problem is that of political and economic management and administration. Implementation in the absence of cadres is always a severe problem and the situation is worsened for Bangladesh by three factors. The present uncertainty caused by the forcible retention in Pakistan of a large number of the most senior Bengali civil servants, the extremely rapid promotion and appointment of younger officers with little prior training and administrative experience, and a fatal tendency in emergency to return to 'Pakistan ways' and bureaucratic procedures, which are a remnant of the 19th century British administration. Rules framed to maintain law and order and a colonial Raj are hardly appropriate or useful as development tools in Bangladesh today. Yet, there is little doubt that most Ministries are comfortably settling down to process files and to return to the dusty red-tapism of 'Pakistan ways'. These difficulties are worsened by the absence of any clear code governing 'Rules of Government Business'. This has meant that secretaries and Ministers are involved in petty decisions, Cabinet Ministers in minor decisions, and the Prime Minister in almost all decisions in every sphere of political and economic life.

The delayed take-over of the bulk of the industrial sector and the creation of the Jute Board and the Tea Board as well as the 10 public sector corporations has meant that 85 per cent of the industrial sector is under government control. The division of areas of responsibility between 'managers' and 'bureaucrats' has not been decided, government procedures and audits have been imported wholesale, and it is hardly surprising that widespread confusion and suboptimal working of industrial units is the result. It must be remembered that the take-over was imposed after the loss of almost all senior managers, who were largely West Pakistanis or expatriates, many of the technical staff, who were Biharis, and widespread labour indiscipline, which has been continuing. In these circumstances the recovery of the industrial sector and the gradual return to normal within the bureaucracy and administration, are excellent initial achievements; but the political leaders after the election must work towards an administration which gives priority to rural and agricultural development and which is willing to administer far more flexibly than is at present envisaged. The public sector

managers will have to give clear autonomy to manufacture, and price and market their products without being subject to bureaucratic interference on a day-to-day basis. There will be need for political direction and clear statements of Plan objectives and government policy.

During the First Five-Year Plan, the problems of agricultural production (rice and jute), foreign exchange (jute), and inflation will be critically interlinked. A failure in production will bring a balance of payments crisis and inflation at the same time. Only agriculture can provide real growth in per capita incomes and dampen inflation. Only a constant or slowly rising offtake of raw jute (or of jute goods in raw jute equivalents) can stabilise the value of the taka and provide the foreign exchange for consumption as well as for investment good imports. All policies will fail if inflation and rupee/taka parity problems create political instability and conflict. None of these problem-areas in the political economy of reconstruction are likely to be amenable to solution, unless the administration and the public sector managers improve their implementation of Plan targets, particularly in the districts, and get autonomy from political interference. A healthy link between the political and administrative spheres of influence will be achieved only if it is the subject of a clear directive from the Prime Minister.

There is very little in the above analysis on the corruption, party quarrels, political assassinations, profiteering, and resentment towards India. These factors are real and are not unimportant, and, if the Prime Minister is unable to begin eliminating them after his election victory, they will cause real rifts in the fragile social fabric of Bangladesh. These factors, however, are the superstructure and not the base of the political economy of Bangladesh. The key to the survival is not in the Secretariat building in Dacca, but in the fields and factories. Implementation at the district, taluk and village levels will depend on the people of Bangladesh. The important verdict of the First Five-Year Plan and the relevance of its objectives will not be passed by the World Bank or the aid donors. The reconstruction of Bangladesh will have to be relevant to the agricultural labourer, the small farmer, and the industrial worker. Any assessment of the First Plan should start from these criteria of relevance and not from its acceptability to the Harvard Development Advisory Service.

[This article is written in the author's personal capacity and does not represent the views of the organisations for which he works.]

Politics of Defence

S Krishnappa

Our National Security by K Subrahmanyam; Economic and Scientific Research Foundation, New Delhi, 1973; pp 65; Rs 5.

THIS monograph by the Director of the Institute for Defence Studies and Analysis is a unique document in many ways. It is the first ever presentation of a viewpoint on national security which explodes the premises of the somewhat phoney debate on 'defence or development'. It seeks to emphasise that an integrated policy for national security must be part and parcel of the national plan for economic development, science and technology, and that such a policy needs total political direction, content and purpose. Subrahmanyam calls for a country-wide debate on national security, and distinguishes the rather bureaucratic approach of discouraging debate on defence-industrial efforts and politico-strategic policy from the need to keep confidential the information on actual deployment of forces and operational plans.

CONCEPT OF NATIONAL SECURITY

He himself discusses security in its wider perspective. This is a welcome feature, because hitherto articles as well as books on defence and security problems have kept very much to the straight and narrow path, maintaining the colonialist tradition of treating defence as a sacred cow that has a status which is exclusive and outside of public purview. This popular, conservative view of national security, as functioning mysteriously in some kind of a political vacuum far from the national mainstream, considers that it is better kept that way. Not so surprisingly, one of the instruments of national security, viz, the defence services, have also sought to foster the impression that national security could function in a vacuum.

Subrahmanyam has done well to define, at the very outset, a concept of national security that is total. According to him, national security does not mean merely safeguarding of territorial boundaries; it means, also, ensuring that the country is industrialised rapidly and develops into a cohesive, egalitarian, technological society. Subrahmanyam points out that, when

China occupied portion of Aksai Chin — a totally uninhabited and inaccessible area —, this was perceived as aggression against our country and a threat to our security. Yet the inroads on our national sovereignty through economic and diplomatic pressures, whether subtle or not, are not readily recognised as such. In many ways, the threat posed by such means is more pernicious than open territorial aggression. Foreign aid, particularly from the US, which has served to increase rather than decrease the dependence of the poorer nations on the US for further aid is an example. In other words, the ruling elites in many countries have welcomed US aid and have willingly surrendered to it part of their sovereignty.

Pakistan and China are easily identified as our adversaries; but they are only the small visible portion of the iceberg of our security problem. Examine the oil refinery agreements, the pharmaceutical and drug collaborations, and you perceive the more pernicious forms of foreign aggression. In particular, the United States by virtue of being the leading *status quo* power, clashes with and temporarily holds up development elsewhere, and in the process tends to be a threat to security the world over.

Subrahmanyam's contention is that, if India does not in the next two or three decades become a major power, external pressures will break it up. He assaults the ruling elite's priorities, softness, and behavioural patterns, and criticises them for opposing hard decisions which would lead to cutting of consumption and rapid industrialisation. He accuses it of functioning as a tool of neocolonialist policies, manipulated by *status quo* powers like the US.

Admittedly, external pressures will be exerted to keep us backward, and the problem of national security is intimately linked to facts such as that India has a majority of the world's illiterates and also that many in India are nutritionally deficient or diseased. But if China has been recognised as

a major power it is not because, as Subrahmanyam would believe, it has nuclear weapons and a large army, but because it has forced the recognition of its determined political will, self-respect, and self-reliance, and because everyone recognises that the masses of its people are on the move. Unless India demonstrates, in action, a purposeful commitment to mobilising the participation of all its people for national reconstruction, not only will the world be uncaring of its interests, but there will be the ever-growing danger that the country's problems could take it to breaking point.

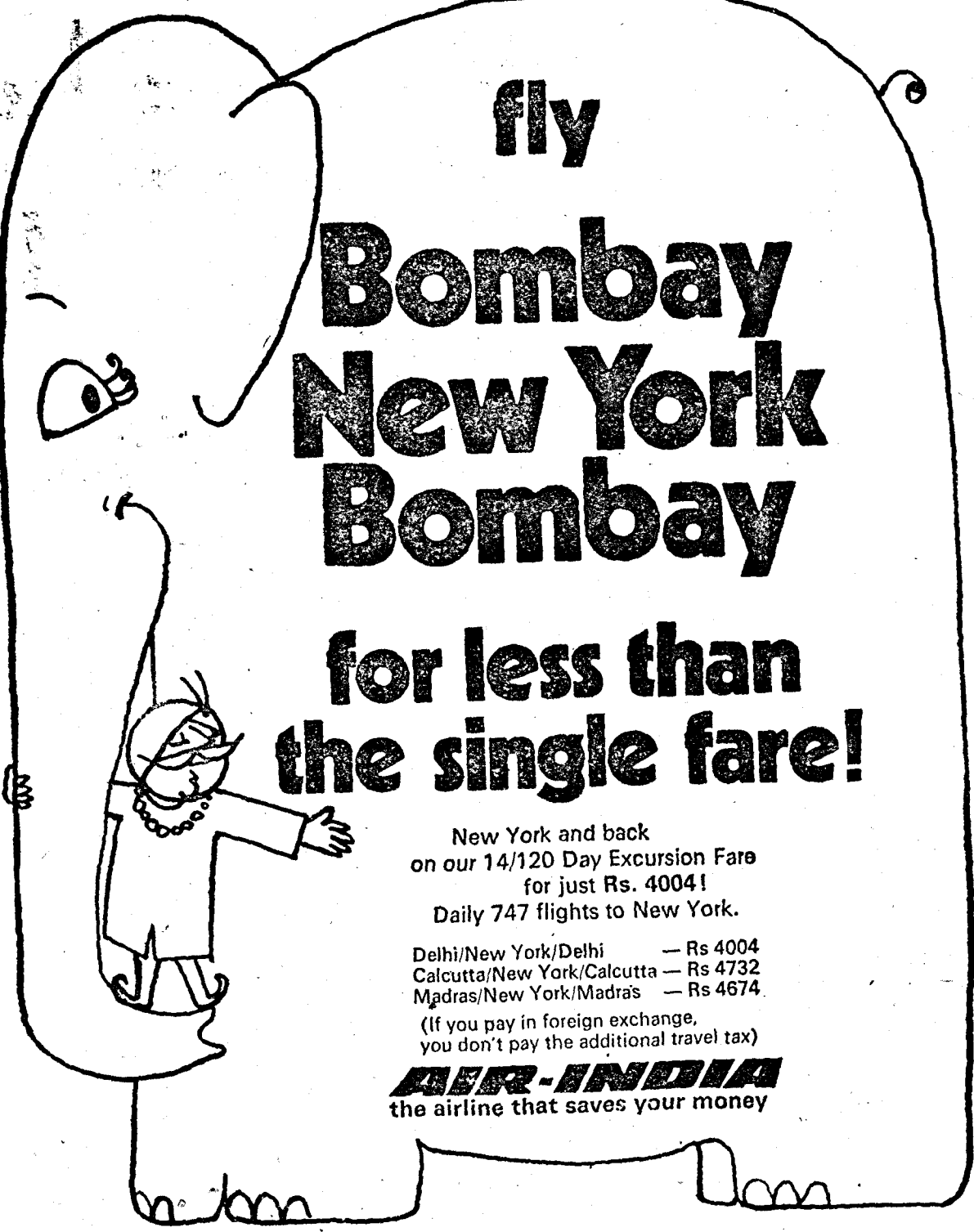
One cannot disagree with Subrahmanyam, in that, Indo-Soviet collaboration is both necessary and desirable — particularly in areas where we need massive transfusion or transplantation of technology. But we cannot, as Subrahmanyam points out, be content merely to shift from being the client state of the Western world to being tied to the apron strings of the USSR.

If India is to be respected as being in control of its own destiny, it must have adequate military power.

SPECIFIC SECURITY THREAT

The new international environment is being determined by the logic of power and national interest; ideology, supposedly does not rate high any longer. Subrahmanyam is convinced that either nuclear weapons or enormous economic power like Japan's bestows the status of a major power on a country. Supposing then India were to develop into a nuclear power, would it — retaining its present percentages of impoverished, illiterate, diseased people, its feudal-capitalist economy, its illusory indices of growth — be regarded as a major power?

Subrahmanyam has brilliantly analysed American designs in Asia and in the Indian Ocean. He speaks of there being a specific security threat from the US to India, yet he stops short of spelling it out in military terms. He has done this, however, very incisively, in the sphere of our economic, social, cultural, and political life. The question that no one is even willing to ask is: Is there a threat of a Vietnam-type of intervention by the US in the decade ahead? Calcutta, after all, is only 600 miles from Bangkok, where



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American troops are stationed and from where North Vietnam has been so brutally bombarded. Why is it that we Asians finally look at only fellow Asians as our enemies? History apparently has taught us nothing. Pakistan and China, even when Subrahmanyam has recognised the reality of US motives, remain our "adversaries" — even after he himself writes of the possibility of Pakistan being used as a base by the US for operations in West Asia! And why West Asia alone?

The elite in this country, as Subrahmanyam says, is closely connected with, and in fact willing to be a tool of, neo-colonialist design. The system of decision-making "subverts the interests of the ruling elite". Decision-making has been so compartmentalised as to serve to consolidate a *laissez-faire* system of economic administration eminently suited to the interests of the elite. The hope and expectation of the elite is that, so long as the industrial proletariat, the middle class, and perhaps some of the small farmers and the lower-middle class, are kept tolerably satisfied with expectations of mobility into higher income brackets, the system may remain manageable. In such a situation, one cannot hope for any sudden revolutionary change. And, as Subrahmanyam says, one has to look for a compromise solution. He, therefore, advocates a national security policy as a supplement to a national development policy — rather than as an integral part of it. In fact, Subrahmanyam's further suggestions are well within the ambit of this compromise. Unfortunately, it is perhaps the compromise that leads to ambiguity in concepts and to suggestions by Subrahmanyam for weapons systems which are very costly because they are not and cannot be the answer to the threats to our national security — in even an exclusively military sense.

BROAD CONCLUSIONS

Subrahmanyam's broad conclusions on the external threats may be summarised as follows:

Pakistan and China may continue to be our adversaries; the US may prove to be an adverse factor in our security calculations; at best it may prove neutral; the USSR is likely to continue to support us, though its own strategic preoccupations preclude this being taken for granted; West Asia is a potential area for conflict, as it is a world energy source; the Indian Ocean region may

hot up for strategic military considerations like basing of Trident submarines; big powers are likely to interest themselves in India's neighbours probably leading to repercussions on our security; internal unrest and economic difficulties will spur others to interventionist policies, particularly the US, which is not likely to be deterred by its defeat in Vietnam; to assume that there will be no attempt at nuclear blackmail by the US or China is to take uncalculated risks; but China is not considered as aggressive or as ready to sweep down on South-East Asia. Nor is communism *per se* considered a threat.

The neocolonialist threat has to be dealt with separately, as it needs to be countered primarily with political and economic weapons. Subrahmanyam earnestly believes in a formidable threat developing against this country. Perhaps he is right. One must be prudent and anticipate the worst. There is, in this game, no second prize for the loser.

Here, he brings basic issues to the fore. In his forcefully argued view, India cannot devote itself to development without paying adequate attention to its national security, even as the converse too is true. The slogan 'defence or development' is an ill-conceived one. Subrahmanyam rightly points out that defence expenditure is only a very small portion of the consumption sector. The redeployment of this small proportion will not make a significant difference to the growth rate. Of the GNP, 88 per cent is in the consumption sector; and to talk in terms of 'defence or development', when defence expenditure is only 3.4 per cent of the GNP, is really misleading.

But we have never even asked the question: National security against what threat, to defend what values? Nor have we ever asked the question: 'Economic development towards what kind of social order'. Unless we do, we shall be treated as a soft state by both the US and China. Our approach so far has been administrative and not political. We have believed that the international system and international aid, as personified by the Aid India Consortium, would help us to our feet. With a 15-billion-dollar debt, what kind of industrialisation has India been able to achieve? The US has meanwhile spent \$140 billion in committing genocide in Vietnam as against 60 billion 'aid' to the developing countries. Even now, our approach to development and national security has been non-ideological

and based on consensus — or, as some like to call it, 'pragmatism'. 'Socialism' is the nomenclature used to describe the approach. A consensus approach really means allowing the elite, conditioned by Western ideas and in constant touch with the West, to determine the country's strategy of development, its role in international politics, and the kind of society that will be aimed at.

The monograph takes some questionable positions. For one, Subrahmanyam says technology determines the power of a nation today. Yet Vietnam, only a thousand miles away from us, has proved otherwise. So has China. He refers to the green revolution, forgetting that, in fact, there has been little or no green 'revolution', the growth rate of agricultural output per annum having been less than that achieved in 1956-62. He speaks of our value system, declaring that "India" would not opt for the degree of violence that was adopted in China and USSR or for total elimination of dissent. Thus while he calls for revolutionary changes, he also accepts Western propaganda that there has been violence in China. Then somewhat as an anti-climax, he agrees that the experience of the Soviet Union and China is more relevant to this country than that of the Western world. More precisely, China's experience in the development of science and technology, is considered significant by Subrahmanyam.

COMPROMISE APPROACH

'Planning for Defence' is the final chapter of the monograph. In his summing up, Subrahmanyam finally adopts the compromise approach. He has to contend with the Hobson's choice of planning for defence against China and Pakistan; the rest of his earlier analyses of US intentions, of the West Asian scene, and the Indian Ocean region, are not now so cogently taken into consideration.

What is amazing is that all Indian security specialists have advocated bigger defence expenditure, bigger defence forces, bigger, better, and more sophisticated, weapons systems. Yet no one has even mentioned that we ought to study the Vietnam experience. Will the poor Asians always fight other poor Asians? Has Vietnam not taught us anything about war? After all, 9,000 aircraft have been shot down in seven years and hundreds of tanks and field-guns captured and destroyed; Vietnam

went through the heaviest bombing km that history has known. Yet the most sophisticated weapons systems lost their credibility there. In other words, technology was defeated by man's will, by his ingenuity and organisation. The Vietnam war is an example of brilliant improvisation, of the viability of the cheapest materials backed by human resources. That was a fight by a people standing together as one, knowing the basics of national security better than most civil and military experts in other countries. This, against the 'richest and mightiest' nation of 220 million people. Yet we in India have been planning our security machine and organisation without much attention to Vietnam. If this is not due to a neo-colonialist tradition, what is?

We go in for man-surveillance radars to guard our borders, we have built frigates for Rs 30 crores, and we have gone on spending a great deal on the development of one aircraft type with fair disregard for costs, in the name of

modernising our armed forces. Bangladesh has given wings to our muted arrogance and closed our minds. But Bangladesh was a very special, fortuitous case where the entire people were with us against an alien army separated from its bases by thousands of miles. Do we build our forces on experiences of this kind of good fortune?

The biggest gain of the 1971 war was that it gave our armed forces a confidence in their capability to plan and execute unconventional attacks — something which is not given in any Western textbook. There was the emergence at all levels of a searching enquiry to correct and re-examine our concepts. Sophisticated weapons systems have their place, yet the essence of national security lies in the participation of every citizen in it. We need not fight shy of emulating some of the features which have proved themselves, in China and Vietnam, when we plan for our national security. Both are poor Asian countries. Both are relevant to our

situation, the kind of situation K Subrahmanyam's analysis leads to. Let us not talk exclusively in money terms. Rs 9,260 crores for the five-year defence plan or a Rs 50,000-crore national plan may lead us nowhere, unless our concepts are clear and objectives firm.

Subrahmanyam himself suggests this. His approach is unexceptionable. His call for integrated planning for defence and development and an overall approach to national security at the political level is urgent and important. His suggestions for the organisation of study groups in important areas of integrated planning such as a 1975-85 plan for electronics, a nuclear-space programme related to India's future security, development of border areas, and utilisation of skills developed in the armed forces — all need attention at the political level. But perspective studies and their implementation have finally to be the responsibility of the political leadership of the country.

FROM THE CHAIR

Parrys Confectionery Limited

Statement of the Chairman, Mr H V R Iengar

The Eighteenth Annual General Meeting of the Company was held on 28th February 1973 at Madras. In his circulated Statement, the Chairman, Mr H V R Iengar, made the following points.

THE results for the year show a profit of Rs 8.90 lakhs. The profit after tax is Rs 2,43,809 compared with Rs 6,11,378 last year.

Complete dependence on high cost free market sugar together with the increase in prices of other major raw materials like Glucose pushed up the cost of production. It was not possible to increase the selling price correspondingly since this would have resulted in a considerable drop in sales.

In view of the lower profit this year, the Board decided to recommend a dividend of 14 per cent as compared with 18 per cent last year.

The profit available for appropriation including surplus brought forward from the previous year, is Rs 2,62,419 out of which Rs 1,09,000 has been set aside for Development Rebate Reserve, leaving a balance of Rs 1,53,419. Taking Rs 1,05,000 from the General Reserve and Rs 1,34,000 from Development Rebate

Reserve which is free for release and after meeting the proposed dividend, a sum of Rs 419 is left surplus to be carried over.

MANUFACTURING AND TRADING CONDITIONS

Although cellophane was available freely, higher prices had to be paid. Prices of other raw materials like sugar, milk, glucose, etc, also registered steep increases. In common with the rest of the confectionery industry in the country the plant is not being worked at full capacity. Added to this, there was an illegal strike by the labour lasting for 27 days in March 1972 and the Company had to agree to a settlement that cost Rs 1.65 lakhs as a permanent addition to the wage bill.

MACHINERY

During the year under review machinery worth Rs 3.56 lakhs was imported for purposes of replacement and

rehabilitation.

MALAYSIAN FACTORY

Production in the Malaysian Factory continued to be satisfactory. A dividend of 10 per cent was declared which yielded on the Company's investment an amount of Rs 30,000. The Company also earned a royalty of Rs 40,000.

PROSPECTS

Prospects for the industry as a whole continue to be bleak in view of the unsatisfactory sugar position in the country, the power cut in Tamil Nadu and recalcitrance of the labour. However, all possible efforts are being made to maintain the level of sales.

Note: This does not purport to be a report of the proceedings of the General Meeting. (The full text of the statement has been sent to all Shareholders.)

The Dollar Devaluation and India's Balance of Payments

Charan D Wadhva

Samuel Paul

This paper examines some of the consequences of the devaluation of the US dollar of February and the decision of the Government of India on the exchange rate of the rupee on the major items of India's Balance of Payments. The problems and opportunities emerging from the present devaluation of the dollar are analysed.

It is concluded that the new rupee rate, implying 3.7 per cent revaluation against the US dollar, is likely to affect Indian exports to the US only marginally. The effective depreciation of the rupee vis-a-vis major European currencies (excluding the pound sterling with which the rupee is linked at the present for defining the central rate of the rupee) and Japan is likely to lead to increase in our exports to these countries.

On the other hand, the total costs of our imports are likely to increase due to the substantial revaluations of these very currencies. Our trade balance may, therefore, actually show unfavourable change in the short run. This leads to the need for vigorous measures at promoting our exports. In view of the fact that many developing countries who are our competitors in the US market are likely to go along with the devaluation of the dollar by the same amount, we cannot afford to revalue the rupee substantially against the dollar.

We should wait and see the experience of the floating pound sterling and the performance of the dollar in the near future and also know more about the exchange rate decisions of our major competitors in trade before fixing the new parity of the rupee in terms of gold to serve our national interest in the best possible manner.

THE devaluation of the United States dollar should be an eye-opener to many, including political leaders in India, who associate monetary devaluation with loss of prestige. The Americans have shown that, if it is in their national interest to devalue, they would go ahead and do so. Nor do the stronger countries, such as Japan and West Germany, view revaluation as a symbol of prestige or power. In fact, they have resisted revaluation of their currencies all along. If, in spite of all these developments, our leaders and moulders of public opinion still live with the traditional attitudes towards devaluation and revaluation, it could only be attributed to the generally low level of economic literacy in our country.

The unilateral devaluation of the United States dollar by 10 per cent on February 13, in the wake of its earlier devaluation of 8 per cent just 13 months ago under the Smithsonian agreement on realignment of currencies of the Group of Ten countries, has once again shaken the stability of the international monetary system and underscored the need for long-term reforms of the system. Meanwhile, countries of the world are engaged in decision-making on the new parity rates in terms of gold or

in terms of an intervention currency, usually, either the US dollar or the British pound sterling. Five leading currencies of the developed countries of the world are still floating, viz, the British pound sterling, the Japanese yen, the Canadian dollar, the Italian lira, and the Swiss franc.

Under these conditions of fluidity in the international monetary situation, the Government of India has decided for the present to continue to adhere to the central parity of the rupee in terms of the pound sterling — at Rs 18.9677 to one pound as decided in December 1971 — and to allow variations in this central rate within the wider band of 2.25 per cent permitted by the International Monetary Fund. The rate of exchange between the Indian rupee and all other currencies will be fluctuating since the pound sterling, from which the rupee rate is derived for other currencies, is still floating.

The purpose of this paper is to examine some of the consequences of the new rupee rate — vis-a-vis the devalued US dollar emerging from the pound-dollar rate — on the Indian economy in general and on the major items of India's balance of payments in particular.

I

The Rupee Rate Background

Before the first devaluation of the US dollar, of about 8 per cent in December 1971, the rupee-dollar rate used to be pegged at Rs 7.50 per dollar. Following the Smithsonian agreement on the realignment of currencies of the Group of Ten Countries, the International Monetary Fund (IMF) gave the option to its member countries either to declare the new parity of their currencies with gold or to choose for the time being a central rate in terms of an intervention currency such as the US dollar or the pound sterling.¹ The IMF also permitted a wider band of fluctuations in exchange rates (2.25 per cent compared to the earlier band of 1.0 per cent) around the parity or the central rate as the case may be.

The Government of India then decided to break the traditional link with the dollar and to use the pound sterling as an intervention currency in terms of which the central rate would be chosen. It communicated to the IMF a central rate of Rs 18.9677 per pound and wished to make full use of the new wider band which was permitted. Since the UK announced its new rate vis-a-vis



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the US dollar at \$2.61 per pound, this worked to a cross rate of about Rs 7.28 per dollar.² At this new rate, the rupee was effectively revalued against the US dollar by 3.03 per cent. The day-to-day rupee-dollar rate was to vary as the pound sterling-dollar rate varied in London market using the conversion factor of £1 = 18.9677. The permissible range of variations at the central rate of \$1 = Rs 7.28 was from Rs 7.12 to Rs 7.44 per dollar.

However, this pattern of the rupee-dollar rate had a short life. The British authorities found it very difficult to defend the new pound-dollar parity in the face of speculative pressure on the pound sterling, which was basically a weak currency considering the balance of payments deficits and inflation in the economy. UK, therefore, decided to float the pound sterling in the last week of June 1972 and since then it has been freely floating against other currencies. Quite expectedly, the pound sterling went down in value in terms of all the major currencies of the world, including the US dollar. The rupee-dollar rate also correspondingly recorded a depreciation of the rupee against the dollar. The immediate impact of the floating of pound sterling was to depreciate the pound against the dollar by about 5 per cent. The dollar-pound rate hovered for some time around \$2.45 per pound (yielding a rate of Rs 7.74 per dollar). It was expected in market circles that the pound-dollar rate would ultimately settle around \$2.40 per pound, thus completely neutralising the impact of 8 per cent devaluation of the dollar of December 1971. In these circumstances, the central rate of \$1 = Rs 7.28 had no meaning. The rupee was floating as the pound was floating, leading generally to the depreciation of the rupee in terms of dollars. Had the pound returned to a relatively stable rate of \$2.40 per pound, the rupee might have been effectively devalued along with the dollar without it being officially said that the rupee was 'devalued'.

Then, in about 18 months, came the second dollar crisis. In the first two weeks of February 1973, there was a heavy speculative pressure on the dollar. In about nine days, over \$8 billion of hot money were converted into the mark and the yen, the Deutsche Bundesbank absorbing about \$6 billion to prevent the appreciation of the mark. Considering the basic weaknesses of the American balance of payments position in terms of a record trade deficit of \$6.5 billion in 1972 (compared to \$2.7 billion deficit in 1971), the massive flows

TABLE 1: DIRECTION OF INDIA'S EXPORTS AND IMPORTS, 1971-72

Region/Countries	Exports (Per Cent)	Imports (Per Cent)	Trade Balance (Rs Lakhs)
Africa	8.0	8.0	-11.71
UAR	1.5	1.8	-10.15
North America	19.2	29.3	-226.84
Canada	2.5	6.2	-73.49
USA	16.7	23.1	-153.45
Latin America	—	—	+6.84
Other American Countries	—	—	+1.87
ECAFE	24.5	20.0	+23.61
Australia	1.8	1.6	-1.39
Japan	11.6	8.9	+20.70
Malaysia	0.7	0.2	+7.89
Other Asian and Oceanic Countries and Antarctic and Arctic Regions	4.0	3.0	+89
East European Countries	22.0	11.0	+141.83
ECM	8.0	14.0	-124.62
Federal Republic of Germany	2.4	6.9	-86.80
Italy	1.5	1.4	-19
EFTA	12.0	14.0	-57.93
UK	11.0	12.0	-48.16
Other European Countries	0.8	0.2	+9.11
Total	100.0	100.0	-237.03

— Negligible

Source: Reserve Bank of India, Report on Currency and Finance, 1971-72.

TABLE 2: COMPOSITION OF INDIA'S EXPORTS AND IMPORTS, 1971-72

Category	Exports		Imports	
	Value (Rs Lakhs)	Percentage	Value (Rs lakhs)	Percentage
Food and agriculture	413.24	26.34	196.93	11.00
Beverages and tobacco	45.11	2.87	28	00.15
Crude materials, inedibles (except fuels)	240.47	15.33	212.89	12.00
Minerals, fuels, lubricants and related materials	7.93	0.51	194.57	11.00
Animal, vegetable oils and fats	7.37	0.47	46.47	2.57
Chemicals	32.03	2.04	217.65	12.10
Manufactured goods	661.55	42.18	439.54	24.30
Machinery and transport equipment	72.60	4.63	454.25	25.20
Total	1568.61	100.0	1805.64	100.00

Note: The total of above categories does not add up to the totals shown in the last row because of the exclusion of miscellaneous and unclassified items.

Source: Reserve Bank of India Bulletin, December 1972.

of speculative money, and the firmness of Japan and West Germany not to revalue their currencies, the US authorities preferred a straightforward devaluation of the US dollar by 10 per cent to cure the situation, pending other measures for trade negotiations and international co-operation to find ways to bring about stability in the international monetary system in the long run.

Just before the second devaluation of the US dollar, by 10 per cent on February 13, 1973, the prevailing rate of exchange of the pound had gone down to as low as \$2.38, giving an exchange

rate of about Rs 7.90 per dollar in the London market. The British government decided to continue to float the pound. After the markets reopened, the pound immediately appreciated by about 3.7 per cent in relation to the devalued dollar, rising to \$2.43 per pound, which implied Rs 7.60 per dollar at the central parity of Rs 18.9677 per pound. Thus the new dollar devaluation presented an opportunity for a review of the exchange rate of the rupee vis-a-vis other currencies of the world and thus for arriving at a new parity of the rupee.

The Government of India have decided to continue the central rate system,

in terms of the pound sterling as the intervention currency, at the same central rate as announced in December 1971, viz, Rs 18.9677 per pound, with variations of 2.25 per cent around this rate. The dollar-rupee rate (and the rate of rupee *versus* other currencies of the world) will vary from day-to-day as the market rate of the pound varies. Thus the rupee is indirectly floating along with the pound. As the pound has been appreciating against the dollar in the range of 3.5 to 5 per cent in the initial stages of the float, the rupee is effectively revalued against the dollar by the same magnitude.

II

Implications for India

We shall analyse below the implications for the Indian economy of the new rupee rate after the devaluation of the dollar, under two heads:

- (i) the immediate impact of dollar devaluation on the foreign exchange market in India; and
- (ii) likely impact on the major items in India's balance of payments in the near future.

In analysing the implications of the new rupee rate, the key question remains: will the pound sterling settle nearer the \$ 2.38 per pound rate, which it had reached just before the new devaluation of the dollar, or will it appreciate significantly against the dollar before reaching a relatively stable rate with the new dollar acceptable to the market? This would depend on whether the dollar itself can maintain the newly set parity. For the purposes of the following analysis, we assume that the new parity of the dollar will be acceptable to the market within the wider band now permissible, and that the pound will settle at a level showing a 3 to 5 per cent appreciation *vis-a-vis* the dollar.

IMMEDIATE IMPACT

As expected, the immediate impact of dollar devaluation has been to lead to confusion in the Indian foreign exchange market. The Reserve Bank of India suspended both spot and forward dealings in foreign exchange. The banks and authorised foreign exchange dealers offered the worst rates to customers in the absence of support from the Reserve Bank. The dollar ^{lost} premium heavily in the unauthorised market. And, travellers holding dollars and exporters holding dollar bills suffered as a result of these market trends.

This initial phase ended when the Reserve Bank announced its decision to

continue with the rupee-pound central rate of Rs 18.9677 per pound which was decided upon in December 1971. On the basis of this rate and considering the risk in managing a fixed parity with a floating currency, the Reserve Bank has announced its spot buying and selling rates for pound sterling and a cover to the commercial banks for dealings in US dollars at Rs 7.60 per dollar. There has been considerable delay in assuring forward cover on pound sterling and dollar. This has put the exporters in a somewhat difficult position and created uncertainties in their minds about the final receipts from exports. Compared to the previously prevailing rate, of Rs 7.90 per dollar, ruling just before the devaluation of the dollar, the exporters with dollar bills will realise less in rupee terms if the rupee-dollar rate settles near Rs 7.60 per dollar. Importers with confirmed unrevokable orders from the US and from the dollar area will find a windfall gain in terms of having to pay less in rupees by about 4 to 5 per cent for their import.

We may now systematically examine the somewhat longer-term effects of the new rupee-dollar rate, under our assumptions, on the major items of India's balance of payments.

IMPACT ON BALANCE OF PAYMENTS

We may first look at the balance of trade position. We begin with an analysis of the direction of India's trade and its trade balance with the different countries and regions of the world, with a view to assessing the overall impact on our trade with these countries and regions.

Table 1 presents the direction of India's trade in 1971-72 and also the trade balance with the various countries and regions of the world. It can be seen from Table 1 that the US is still our single largest trade partner. It accounted for 17 per cent of our exports and 23 per cent of our imports in 1971-72. Together with Canada, our exports to North America accounted for 19 per cent and imports from this region accounted for 29 per cent, in 1971-72. In addition to this, our trade with other countries of the dollar block is also invoiced in US dollars.

It is quite clear, that any substantial effective revaluation of the rupee against the dollar could badly hurt the competitive position of Indian exports. This is the more so because some of our competitors in the US market, like Israel for diamonds and South Korea for textiles and small machinery, have decided to devalue their currencies along with the US dollar. Bangladesh already has an

edge over us in jute and its exchange rate is already more favourable to US importers than is the Indian rate. Recently, non-traditional items, such as engineering goods and chemicals, have been finding their way from India to the US market. This segment of the market may be quite sensitive to price changes and even a small revaluation of the rupee may reduce the quantum of such exports. However, a major portion of our exports to the US still consists of traditional goods such as cashew, spices, fish, tea, jute, oils, handicrafts, etc, for which price elasticity is relatively low and our competitive position (except for tea and jute) is quite strong. A small revaluation of the rupee against the US dollar, of about 3 to 5 per cent, is on balance not likely to reduce India's exports much in the US markets.

On the side of imports, the US will get an edge over its competitors in the Indian market for goods which were earlier supplied by Japan and West Germany, owing to the effectively high revaluation of these currencies. India is likely to gain by lower costs of imports from the US. Indian exporters who obtain from the US a large portion of their import requirements are likely to benefit from the new parity. However, these gains are likely to accrue only as far as the free foreign exchange transactions are concerned. A large part (roughly 50 per cent) of our imports from the US is on account of tied aid, and chances are that the American suppliers will jack up prices of their goods which are exported on project aid basis. Even for the free foreign exchange transactions, there is already a movement by petroleum companies, shipping companies, and even airline companies, based in the US, to seek a price hike of 10 to 11 per cent to protect their earnings in dollars. These are likely to be given to them. It appears, therefore, that on the whole there may not be much advantage to India from the devaluation of the dollar.

Our largest trade deficit is with North America, particularly with the US. Thus, as can be seen from Table 1, out of a total trade deficit of Rs 237 crores in 1971-72, the US alone accounted for Rs 153 crores. As a result of the dollar devaluation and the new rupee rate, our exports are marginally likely to fall, whereas imports may rise — increasing our trade deficit with the US.³ The same is likely to be true of our trade balance with Canada.

As far as the ECAFE region is concerned, the importance of Japan in India's foreign trade has increased significantly during the last year or two. Our

imports from Japan have nearly doubled in the last two years. In 1971-72, Japan accounted for 12 per cent of our exports and 9 per cent of our imports. In view of the substantial effective revaluation of the yen, our costs of import from Japan are likely to go up. On the other hand, our exports to Japan should increase. There is one qualification to this conclusion. Most of our exports to Japan are invoiced in US dollars. A major portion of our exports to Japan consists of iron ore. In view of the lower realisation in rupees from exports invoiced in US dollars, Indian exporters are likely to ask for a price hike in dollar terms. This would lead to resentment on the part of the Japanese buyers who believe in hard bargaining. Moreover, if Japanese export activity is considerably reduced for containing their huge trade surpluses, Japan may not require as much of iron ore — or not as urgently as under normal conditions. On balance, however, our exports to Japan should increase.

India had a huge surplus in its balance of trade with Japan. In view of the substantially increased costs of imports from Japan, the increase in our import bill is likely to swamp the increase in our export earnings. Thus, the magnitude of our trade surplus with Japan is likely to diminish. As far as other ECAFE countries are concerned, there is not likely to be any significant influence on our balance of trade.

Our second largest trade deficit is with West Germany and the third largest deficit, as may be seen from Table 1, is with UK. With the inclusion of UK, the enlarged European Economic Community accounted for over 20 per cent of our exports and over 21 per cent of our imports in 1971-72.

The West German market has proved a very difficult one for Indian exporters to penetrate. However, exports to this country should increase. On the other hand, our import bill from this country may increase, in view of the effective revaluation of the mark, since most of our imports are either capital imports or maintenance imports urgently required for programmes of economic development. It is most likely that our trade balance with West Germany may not improve.

Since the rupee has been floating with the pound at a fixed central rate, there would be no effect on the trade balance on account of our rupee rate *vis-a-vis* the pound.

The impact on our trade balance with other countries of the world is likely to be favourable. The new rates of exchange are likely to favour our export-

ers who would have now gotten a competitive edge over Japan and other countries of Western Europe.

A significant part of our foreign trade is with the East European countries through rupee payment agreements (see Table 1). A revaluation of the Indian rupee *vis-a-vis* the dollar *per se* is thus not likely to affect our trade balance with these countries.

We may now look at the impact of the new rupee rate *vis-a-vis* other currencies of the world from the point of view of the commodity structure of our foreign trade. Table 2 gives the breakdown of our exports and imports in 1971-72 by value and percentage distribution.

A look at Table 2 will show at once that machinery, raw materials, and intermediate products, required as inputs for our installed industrial units, form the bulk of our imports. Since these are linked with our programmes of economic development and industrialisation, it is unlikely that the quantum of these 'essential' imports can be reduced by changes in the exchange rate. In view of the substantial effective revaluations of the mark and the yen, the cost of our imports from these sources is likely to go up. To some extent, the US will be able to substitute these countries in our import trade. However, American goods will not be much cheaper than the goods from these countries in view of the fact that the US was not the most competitive supplier of most of these goods to India. Thus, as a result of the new exchange rate structure of the currencies of the world, our imports cost us more.

In view of the above conclusion, the importance of export promotion in achieving the objective of self-reliance becomes even more important. Our exports have undergone a structural change in the last few years — particularly after the devaluation of the Indian rupee in June 1966 and more so after 1969-70. Thus, according to Table 2, exports of manufactured goods, including machinery and transport equipment and chemicals, accounted for about 50 per cent of our exports in 1971-72. As a result of the revaluations of the mark and the yen and some other currencies, our competitive position should improve as far as non-traditional exports are concerned.

As far as our traditional exports are concerned, we have to watch the moves of our competitors in their choice of new exchange rates. In textiles, our major competitor is Japan, and we should get some advantage here. However, textiles are subject to quotas im-

posed by developed countries, and there is not much fear of our losing exports of textiles due to our new rupee rate — despite competition from countries like South Korea who have devalued by full 10 per cent along with the dollar. In tea, we will have to await decisions on new rates of currencies of Sri Lanka and the East African countries who are our main competitors. Our jute exports are most likely to suffer, since half of our exports of jute are to the dollar area where Bangladesh has both price and exchange rate advantage over us in this commodity.

It appears, therefore, that whereas our exports are likely to grow, import costs on the whole are also likely to grow due to the new rupee rate *vis-a-vis* the US dollar and *vis-a-vis* other currencies perhaps leading to a worsening of our balance of trade in the short run.

The new rates of exchange of currencies of the world following the dollar devaluation are likely to have a favourable effect on our tourist trade. More European and Japanese tourists are likely to come to India. These trends have already emerged and are likely to be strengthened.

There is likely to be more capital inflow into India. The American multinational corporations may get a boost to set up projects in India since the import of goods from the US will become cheaper than imports from Japan and countries of Western Europe. The Indian investors may find joint ventures more feasible and profitable, in view of the lower costs of exporting machinery, raw materials, consultancy and technical skills from India to a host of countries compared to importing them from West Germany, Japan, etc.

If Japan and West Germany decide to reduce the balance of payments surpluses on official transactions (i.e. to reduce the accumulation of international reserves), they may set up foreign aid to India and other developing countries. Under these conditions, the aid climate is likely to improve. Otherwise, there is not likely to be any change on this front.

The burden of debt servicing has been mounting in India. Thus, debt servicing charges are estimated to have risen to Rs 503 crores in 1972-73, or to nearly one-third our annual export earnings.⁴ The major portion of our debt is in dollars. As a result of the new rupee rate, the total burden of debt servicing in rupees on account of loans repayable in dollars is likely to diminish marginally, but the burden on ac-

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count of loans repayable in currencies of the Western Europe (excluding UK) and Japan will go up substantially. On the whole, there is not likely to be much change in the total burden of our foreign debt.

Finally, on the whole, the impact of the new rupee-dollar rate and exchange rates with other currencies of the world on our international reserves would be favourable. It is reported by a spokesman of the Finance Ministry of the Government of India⁵ that India's total international reserves stood at Rs. 712.99 crores in January 1973. Out of this sum, gold and special drawing rights accounted for 25.57 per cent, Deutsche mark, yen, and Swiss franc constituted 17.22 per cent, US dollars held were only 4.80 per cent, while various other currencies accounted for the remaining 0.89 per cent. Usually, in the past foreign exchange reserves held in US dollars accounted for about one-third. Thus at the time of the dollar devaluation of December 1971, the Indian government lost 8 per cent of value on the dollars held in terms of other currencies. This time, thanks to its improved management of international reserves the government has not lost much due to the devaluation of the dollar.

Conclusion

We have analysed, in this paper, the likely effects of the new rupee rate vis-a-vis the US dollar and vis-a-vis the other currencies of the world on the major items of our balance of payments and on our international reserves.

We conclude that the effects of our new rupee-rate, amounting to 3.7 per cent effective revaluation against the US dollar, keeping parity with the pound sterling and reflecting depreciation against Japanese yen, Deutsche mark, and other hard currencies of the world, by over 7 per cent, is likely to have only a marginal effect on our export trade with the US and favourable effect on our exports to the countries of the Western world and to Japan. The costs of our imports on the whole are likely to increase. In any case, we cannot afford to revalue the rupee vis-a-vis the US dollar substantially. We will have to await the actions of our competitors before deciding on the final parity of the rupee in terms of gold. It appears that the currencies of the world will float for quite some time more, and we will have enough time to make our choices taking into account the experience of floating currencies.

In this paper, we have not gone into

the problems of long-term measures for the reform of the international monetary system acceptable to both the developed and the developing countries of the world. This is the urgent task on which the Committee of Twenty, appointed by the IMF, is working at present. India and all other countries have a strong stake in a fundamental reform of the international monetary system which is essential for promoting growth with stability in the world.

Notes

- 1 The dollar crisis of August 1971 (which was instrumental in arriving at Smithsonian agreement) and some of the implications of that crisis for India were discussed in

our Paper on, 'The Dollar Crisis: Possible Solutions and Their Implications for India', *Economic and Political Weekly*, Volume VI, Number 39, September 25, 1971; pp 2063-69.

- 2 The rates of exchange of currencies in this paper are rounded to two decimal places.
- 3 The conclusion that our imports from the US may rise is based on the assumption that a major portion of our high-valued imports from the US are under project aid where prices are likely to be raised by the American suppliers.
- 4 Government of India, Economic Survey 1972-73 as reported in the press release, *Economic Times*, February 23, 1973.
- 5 *Economic Times* (news item), February 16, 1973.

ECAFE Region's Development Lagging

A REVIEW of the economic situation in Asia, prepared by the United Nations Economic Commission for Asia and the Far East (ECAFE), underlines that, considering the trends of investments, domestic savings, and foreign development assistance to the region's developing countries at the end of the 1960s and the beginning of the 1970s, there are reasons for grave concern about the region's future growth performance. The review is contained in Part One of ECAFE's annual *Economic Survey of Asia and the Far East, 1972* which will serve as a basic document for the forthcoming 29th Session of ECAFE, in Tokyo, between April 11 and 23.

The Survey states that while the growth rate of the region's developing countries accelerated during the second half of the First Development Decade, other trends in both developing and developed countries look much less satisfactory for the possibilities of fulfilling targets of the Second Development Decade. Pointing out that the United Nations international development strategy for the Second Development Decade called for an average growth target for developing countries of 6 per cent — a weighted annual growth rate of 6.8 per cent was achieved by the developing ECAFE countries in 1969 — the rate actually fell to about 5.6 per cent in 1971 and may even be below this level for 1972.

During the first half of the 1960s, the developing countries of the region generally increased the share in Gross National Product (GNP) of both investments and domestic savings. But from around 1965 the picture changed.

Gross investment for these countries as a whole remained stagnant until 1970 at a level of 17 to 18 per cent of GNP; there was no discernible improvement in 1971.

Stating that this development was closely related to trends in the flow of external resources to the region, the ECAFE review points out that from 1965 to 1970 the total net flow to south and east Asia together fell significantly in both nominal terms and in real terms. The fall in the total net flow of external resources, and their maldistribution, is one of the major adverse factors influencing the future growth possibilities of the region; it was certainly a major factor behind the stagnation of the share of investments (in GNP) in south Asia.

The report adds that, while the "green revolution" pushed growth rates up at the end of the 1960s the ground was laid in south Asia for a fall in growth rates during the first half of the Second Development Decade. In east Asia, the same has not yet happened, but, with investment shares leveling off around 1970 and adverse developments in the flow of external resources, the same situation could emerge later in the decade.

The Survey adds that, performances in regard to domestic savings have also been unsatisfactory. Domestic savings, which rose very substantially during the first half of the 1960s, came to a halt around 1965. For the developing countries in the region taken together the share of gross domestic savings in GNP fell slightly in 1970, as compared with 1965.

Initial Depreciation Allowance

A Note

N J Jhaveri

THE Union Finance Minister has announced, while presenting the Budget for 1973-74, that an initial depreciation allowance would be given on plant and machinery installed after May 31, 1974—the date after which the development rebate will no longer be available for new investments. The proposed initial depreciation (ID), at the rate of 20 per cent of the cost, would presumably be in addition to normal depreciation which would continue to be claimed on the basis of the written-down value without reducing the original cost by the amount of the ID. In that case, the total depreciation provision during the initial years of the life of an asset would be somewhat higher than under the development rebate (DR) in the case of other than priority industries whereas it would be lower than that in the case of priority industries.

While the augmentation of post-tax cash flows (internal resources) in the initial years is a common feature of the ID and the DR, there are two major differences. First, unlike the DR, which is available to all the industries, the grant of ID will be confined to selected industries which are yet to be announced. Second, while under DR the total depreciation provision, including DR, allowed to be set off against taxable income was equal to 115 per cent, 125 per cent or 140 per cent of the original cost (depending upon the rate of DR), in the case of ID the total depreciation will not exceed the original cost.

Despite this, for an expanding firm the grant of ID is no less helpful than the DR in generating internal resources for financing an expansion programme. Table 1 illustrates the proportion of cumulative depreciation funds (including DR) to new investment expenditure in years Y1 to Y4 assuming (i) investment of Rs 1,000 in the year Y0; (ii) constant annual rate of growth of 10 per cent in investment; and (iii) 20 per cent rate of depreciation. It will be seen that, as compared to normal depreciation and DR at 15 per cent, ID would provide relatively larger resources in the initial years. Larger cash flows in the early years of an asset's life is tantamount to an interest-free loan from the government.

The duration of the loan for a given capital asset, or a group of assets, would depend upon their life. The longer the life (i.e., lower than the rate of normal depreciation) the longer the duration of the loan and vice versa. An expanding firm can, however, postpone repayment of the loan for an indefinite period.

One way of indicating the benefits ensuing to a firm on account of an interest-free loan is through the size of its post-tax cash flows. If the internal resources of a firm do not earn any positive return, the total size of the firm's cash flows would be identical whatever may be the time-pattern of the accrual of depreciation, provided that the total depreciation provision does not exceed the original cost. If, however, internal resources of a firm are assumed to earn a return, which is a reasonable assumption to make, the total magnitude of cash flows would vary with the time-pattern of their accrual. For instance, assuming (a) original cost of capital asset at Rs 1,000, (b) rate of depreciation at 20 per cent, (c) pre-tax return on internal resour-

ces at 10 per cent, and (d) rate of tax at 55 per cent, Table 2 illustrates the magnitude of depreciation provisions together with return (not of tax) earned on them.

In terms of discounted present value, a criterion generally used to compare cash flows with different time-patterns, different methods yield similar results as Table 2 shows. To derive the present values, it is assumed that (a) original cost is Rs 1,000, (b) the rate of depreciation is 20 per cent and (c) the rate of discount is 10 per cent. Thus, though initial depreciation is not as beneficial a tax concession as development rebate, it has significant advantages over normal depreciation, particularly for growing firms. The loss to the exchequer, unlike in the case of DR, is indirect. Depending upon the coverage of the industries selected, in the initial years of the introduction of ID, tax revenues of the government would not rise to the full extent to which they would because of the abolition of the DR. The postponed tax collections will, however, be realised when the written-down cost of an asset under normal depreciation comes down to 20 per cent or less depending upon the scrap value. For instance, if the entire amount of the remaining depreciation is claimed in the year when the written-down value declines to 10 per cent or less of the original cost,

TABLE 1

	(Rs)			
	Y1	Y2	Y3	Y4
I DR plus normal depreciation				
(a) DR = 15 per cent	31.8	45.0	54.7	61.7
(b) DR = 25 per cent	40.9	54.1	63.7	70.8
II ID plus normal depreciation	36.4	49.6	59.2	68.2
III Normal depreciation	18.2	31.4	41.0	48.0

TABLE 2

	(Amount in rupees)			
	DR plus Normal Depreciation		ID plus Normal Depreciation	Normal Depreciation
	DR = 15 per cent	DR = 25 per cent		
Amount	1557	1719	1508	1314
Index	118.5	130.8	114.7	100.0

TABLE 3

	DR plus Normal Depreciation		ID plus Normal Depreciation	Normal Depreciation
	DR = 15 per cent	DR = 25 per cent		
Discounted Present Value (Rs)	810	902	782	674
Index	120.2	133.8	116.0	100.0

assuming a depreciation rate of 20 per cent the total cost would be written-off with ID (at the rate of 20 per cent) in seven years as against 12 years under normal depreciation. Thus tax collections which were postponed on account of ID are realised during the eighth to the twelfth years in this case. The interest-free loan in the initial years would be equal to 20 per cent of the cost of assets qualifying for ID but eventually when the postponed tax revenues are collected (during the eighth to the twelfth years in the above illustration) the net loan would get reduced. In due course, the amount of loan would tend to stabilise at a level equivalent to 20 per cent of the investment in plant and machinery and the rate of growth of such

investment. The cost to the exchequer, in the form of interest on revenue collections postponed, would also eventually stabilise.

In any case, the magnitude of such cost, although not easily measurable, is likely to be much less than the cost had the DR been continued. The grant of initial depreciation, like DR, would have the effect of reducing the cost of capital *vis-a-vis* labour. However, since the tax benefit under ID would be lower than in the case of DR, the extent of substitution of capital for labour would be less. Moreover, ID will be available to selected industries. If in the industries selected, substitution of labour for capital is not possible for technological reasons, the proposed initial depreciation may not re-

sult in tax-induced use of capital. While the priority assigned to the industries in the scheme of planned development will, of course, be the dominant consideration, one of the criteria for selection of industries should be that the capacities created in such industries can be translated into production soon after completion of the projects. Selection of industries in this manner would minimise the disadvantages of linking tax incentives to investment *per se*. It would be desirable to retain an element of flexibility in the matter of selection of industries, taking into account the period required for planning and implementation of projects. The selection of industries is thus a very important aspect of the problem.

Economics of Television for India

B D Dhawan

Considerable public interest has been evoked on the question of developing a nation-wide educational TV system in India. Both Indian and foreign scholars have made major studies on this question. These painstaking studies, spearheaded by space scientists and electronic engineers, have undoubtedly contributed to improved knowledge, especially pertaining to the satellite technology as applied to the particular circumstances prevailing in India. Government of India has already entered into a formal agreement with the US National Aeronautics and Space Administration (NASA) to have a pilot satellite TV experiment in India in 1974 or thereabouts.

Interest in the question has given rise to some controversy as well. Terrestrial telecommunication engineers, especially of the Indian Posts and Telegraph Department and All India Radio (AIR), are reported to have taken exception to the much-publicised claim of the space scientists that a satellite would enable India to erect a truly nation-wide TV system at a fraction of the cost which would arise in case traditional TV technology were to be employed. Likewise, the proponents of such media as can act as close substitutes for television — notably radio and movie projectors — have challenged the need for developing an expensive medium like television in India. Individuals have questioned the need for developing a nation-wide TV system on grounds such as (a) TV is a luxury not needed at the present juncture of India's state of development and (b) harmful side-effects of TV may follow as in the Western countries.

Yet, barring some debate in the press, the controversial questions about national television have not received any attention in academic circles. More notably, economists who can help settle controversy about choice of techniques are nowhere in the picture. The thinking in this article is based on the author's doctoral work, "Economics of Satellite TV for India", completed in May 1972.

THE focus of this article is on the economic aspects of a TV system in India. The following aspects of a nation-wide TV system are discussed here:

- (1) Capital costs, and their foreign exchange component;
- (2) Annual operating cost;
- (3) Production economics of TV software;
- (4) Satellite *vis-a-vis* other TV technologies; and
- (5) Television *versus* motion picture as medium.

For obvious reasons, the complete details of my computational calculus cannot be enumerated here; only the major assumptions are indicated.

Capital Costs

Various estimates of the capital and annual costs of an educational TV system, including those made by me, are summarised in Table 1. These estimates relate to either pure satellite TV systems (STRIDE, VEPA, ASCEND and ROSENBERG) or to hybrid TV systems, in which satellite technology is combined with terrestrial technology.

The most remarkable feature of the proposed educational TV system for India is that widely divergent cost estimates have emerged from the various studies. These range from \$144 million to

\$573 million. My own estimate is about \$900 million at 1971 prices. Two questions naturally arise: (i) Why do the estimates differ so widely? (ii) What precisely would a national TV system cost us? Evidently, the answer to question (ii) hinges on a clearer understanding of question (i).

Differences in cost estimates have arisen for a variety of reasons, of which four may be mentioned. First, differences in system parameters can result in differences in cost estimates. The most important system parameter is the number of TV receivers in the system. At the present and the prospective levels

TABLE 1: VARIOUS ESTIMATES OF CAPITAL AND ANNUAL COST OF A NATION-WIDE TV SYSTEM FOR INDIA

S No	Author or Name of Report	Capital Cost (\$ million)	Annual cost (\$ million)	No of Community TV Receivers (millions)	Remarks
1	STRIDE (1967)	200	12	0.50	Capital and annual costs lumped together
2	VEPA* (1968)	224	10	0.56	Quoted from USAID report
3	USAID (1968)	437	25	0.85	Annual cost is a temporal average of annual costs over the 20-year period
4	ROSENBERG (1966)	144 to 194	9		These are present values of project costs which are spread over 20 years and discounted at 6 per cent rate of interest
5	ACME* (1969)	446	155	1.14	Conventional concept of cost used; annual cost is inclusive of depreciation charge and interest charge
6	ASCEND (1968)	573	94	1.12	
7	B D DHAWAN* (1972)	900	160	1.1-1.4	Annual nominal cost is exclusive of depreciation and interest charge
8	ISRO* (1972)	375	N A	N A	Based on press reports.

Notes: 1 N A — not available
2 * — Indian
3 1 dollar = Rs 7.50

of family incomes in India, aggregate private demand for TV sets is bound to be low. Even if the production cost of this durable good is brought down significantly by utilising the latest technology of integrated circuitry, we should not anticipate more than a million TV sets to be owned privately by the end of the seventies. Since the bulk of this private demand is from urban people, the rural masses who really need public education would have to be provided community TV receivers at government expense. It is this peculiar aspect of the Indian educational TV system that makes it very expensive to instal and maintain. In point of fact, the estimated cost on account of community TV receivers alone may be 50 to 70 per cent of the total system cost, depending upon the number of TV receivers and their unit price of production and installation in rural areas.

There are about 563,000 villages in India. This number broadly determines the lower limit to the number of community receivers in the TV system. There is substantial difference in respect of required number of community TV receivers for India among the authors of various TV studies. The number varies from 500,000 in STRIDE report of West Virginia University, to 560,000 by Vepa; 853,000 in USAID report by Schramm and Nelson; 1,112,000 in ASCEND report from Stanford University; and 1,114,000 in ACME report from IIT, Kanpur. My own estimate is in the range 1.1-1.4 million. Though it is very near the ACME number, I may point out one important difference of

approach. In my system, I am providing for one TV channel capability, while the authors of ACME report envisage two TV channels for each state. Evidently, the number of TV sets is an exact multiple of the number of TV channels provided in the system. Therefore, the greater the diversity (in terms of TV channels) provided, the greater would be the system cost, both capital and operating. Those who are promoting TV medium for classroom instruction of a core curriculum in order to overcome the problem of shortage of trained teachers, should note this important cost relationship. One TV channel is not enough for teaching numerous core subjects to numerous classes and sections in a school. One TV channel, however, would suffice if television is deployed for strengthening the school curriculum with such educational programmes (historical and travel documentaries, dramas, skits, etc) as cannot be effectively taught by a classroom teacher with the aid of books and blackboards. Such programmes, unlike instructional programmes for core subjects, have the important attribute of flexibility, in the sense that, these do not require to be presented in any given order. Moreover these can cater to the needs of more than one class of students simultaneously. In short, these are neither order-bound nor class-bound programmes, so they can be conveniently fitted into the school timetables.

It will be prudent for India, both financially and otherwise, to plan for a TV system which offers only one TV

channel choice to the viewers. The question of the extent of population coverage desired would determine the required number of community TV sets. Obviously, one TV set for a place of 10,000 inhabitants as well as for a place of 1,000 inhabitants would not be appropriate for effective TV reception in larger villages. Likewise, it would be economically advisable to leave out over 150,000 villages which are without school buildings, thereby saving on the cost of constructing TV auditoriums in these villages. This would reduce the coverage of the system to less than 100 per cent. While enlarging the number of TV sets in the system offers the attraction of substantial economies of scale in the production of TV sets, we must not make the system prohibitively expensive to instal.

The second factor responsible for the large differences in the capital cost estimates is the number of TV production centres in the system. The TV studies with low figures of capital cost, are precisely those which have failed to take care of the diversity of languages in India. When we have 14 languages with constitutional status, our TV system must provide for production of TV programmes for each state and region separately. This is again a peculiar feature of Indian educational TV system, raising its capital and current costs of operation significantly.

The third factor which tends to make Indian TV system an expensive proposition is the low degree of electrification of rural areas. Therefore, provision has to be made for the electrification of the

majority of community TV receivers. At present, hardly 100,000 villages have electricity. Another 100,000 may be electrified in the current decade. Some have suggested wind-driven generators, some have provided bicycle-driven generators, and some animal-driven generators for TV sets in unelectrified villages. The unit capital costs of these various sources of power differ substantially, thereby bringing about differences in the overall estimates of capital cost of the TV system. Despite a detailed investigation for my dissertation, I still remain uncertain about the true cost of providing a power source to TV receivers in unelectrified villages. My estimate falls in the wide range Rs 13-47 crores, whose upper bound is the more plausible of the two.

The fourth factor is again peculiar to the Indian scene. It is the formidable problem of repair and maintenance of community TV receivers. Barring Rosenberg, the capital cost on this account has been neglected by other investigators. For obvious reasons, the system must incorporate the capital cost of a large fleet of mobile TV repair and maintenance workshops. The need for an elaborate and efficient TV repair and maintenance organisation becomes all the greater because of the sad plight of the community radio receivers installed in the rural areas, to which attention has been drawn by many reporters of the rural scene as well as investigative committees. For example, as many as 50 per cent of the radio sets on any given day were found to be out of use for want of repair and maintenance by the Vidyalankar Committee appointed by the Planning Commission. The promoters of educational television in India lack due appreciation of the gigantic organisational task of providing repair and maintenance for the community TV receivers. The high inaccessibility of Indian villages would require a highly decentralised organisation within each district if prompt repair and maintenance has to be provided for. It is estimated that the capital cost on this account may be as much as Rs 45 crores. To this has to be added the cost of training personnel for repair and maintenance.

What is the foreign exchange component of the capital cost? That this will be substantial is obvious and has indeed been explicitly recognised in every TV study on India. However, its precise magnitude has not been assessed. This author had to assess this component as it has important implications for choice among TV technologies which, in fact, have differing foreign exchange components. It is anticipated that, as much as \$200 million out of \$900

million would have to be incurred in scarce foreign exchange resource. This is on the assumption that TV sets would be produced in India. The foreign exchange component would rise to \$240 million if TV sets are imported. There is, however, a cost trade-off here. It is estimated that the cost of an indigenous TV set (23 inch screen for community viewing) would be \$300, compared to \$200 for an imported set. These costs are inclusive of the cost of antennas, and other installation costs (including transportation from factories or ports to villages). It is assumed that the foreign exchange component of a domestic TV set would be \$75, compared to \$110 for an imported set from Japan which is the cheapest source of external supply.

Annual Operating Cost

Normally, annual operating cost of a project does not receive as much attention from project evaluators as does the capital cost of the project. For one reason, since annual operating costs of a project are recovered from the sale of product flowing from the project, any underestimation of operating cost can be corrected later through suitable upward revision in product prices. The situation would be entirely different for the proposed educational TV project for India. Here, since no sale proceeds from public TV service are likely to accrue — unless TV commercials are permitted — an under-assessment of operating cost of the system could give rise to undesirable consequences. On the one hand, it can put the Central budget-makers in a straitjacket once the project is implemented. On the other hand, it can give rise to poor quality TV programmes when TV producers are not adequately funded. Therefore, there is great need to pay more attention to out-of-pocket annual operating costs of an educational TV system which have to be incurred year after year.

Barring ACME report by Prasada and Singh, the task of evaluating annual operating cost has been done very inadequately in other TV studies. One is struck by the disconcertingly large range in which the various estimates fall, viz, \$10-155 million. This is a serious situation calling for a careful probe because annual operating costs are essentially independent of (a) the number of TV receivers and (b) the transmission segment of the TV system. The unduly wide range of cost estimates is largely accountable, either in terms of errors of omission or errors of commission. The most conspicuous errors of omission have been neglect of (1) production cost of TV software or programming in more than one language,

and (2) large maintenance cost of community TV receivers and the cost of their power source in unelectrified villages.

On the other hand, a good example of an error of commission has been the averaging of temporal costs in the USAID study. But for this questionable procedure of averaging, Schramm and Nelson would not have been tempted to rush to the misleading conclusion that television offers a very attractive, relatively low-cost service. If this error of averaging over time is removed, their correct cost estimate might be somewhere between \$90 and \$100 million.

Rosenberg, too, resorts to the questionable procedure of computing the present values of annual project costs over the life span of the project. This unnecessarily deflates the annual operating cost. He has wrongly applied the tools of conventional benefit-cost analysis. Computing present values of the stream of capital and operating costs is meaningless unless these are contrasted with the corresponding present values of the stream of benefits from television.

My estimate of annual operational cost of a TV system is about \$160 million, which is far above the corresponding estimates which have emerged from other studies. As a percentage of the total expenditure (on revenue account) of the Government of India, the operational cost of the TV system works out at about 3.5 per cent. However, when major cost commitments of the government on defence, debt service, and the states' share in Central tax collections are excluded, the above percentage rises to approximately 14 per cent of the government's budget. Viewed thus, educational TV is an expensive proposition. Those authors, who have tried to relate annual cost to the number of students or to the total Indian population, have failed to reveal the expensiveness of the TV proposal because of the large deflator employed by them.

The foreign exchange component of the annual operational cost is about \$18 million for every TV system — except the satellite-aircraft combination, for which the corresponding figure is substantially higher.

Economics of TV Software

It is the high cost of producing TV software that makes television an expensive service. Before we look into why TV software is an expensive thing to produce, some illustrative figures may be cited. For commercial television in the US, the average cost of producing one-hour programming material is Rs 7,50,000. It is this high cost that forces many local TV stations in the US to fill their viewing time with movies, for

which they have to pay a nominal fee to the Hollywood producers. Likewise, the average cost of educational programmes produced by the National Educational Television (NET) of the US is about Rs 1,50,000 per hour of televised programming. The promoters of educational TV in the United States, notably the Ford Foundation, had apparently failed to appreciate the high cost of the TV software. Consequently, hundreds of educational TV stations in the US are in financial doldrums. The promoters have been liberal in providing one-shot aid for buying TV hardware but have not assisted with the same liberalness in the maintenance cost of these TV stations.

The United States, with the helping hand of the UNESCO and its well-meaning Foundations, has given assistance to many an underdeveloped country — especially in Latin America — to instal educational TV stations. Now, some political scientists in the United States as well as in these countries are complaining of cultural imperialism. For, these TV stations are found exhibiting US programming material — "Bonanza", "Lucy", and many other serials of entertainment value. A careful reflection on the matter would reveal that these stations have ended up by showing unwanted or irrelevant imported TV software because those who promoted television did not ensure adequate annual funding from the national budget-makers (who probably thought they were acquiring a prestigious medium for nothing).

The production cost of a TV programme varies with the type of programme. At one end are programmes like plays, dramas, travel and historical documentaries, which are very expensive to produce. Their production cost is no different from that of film documentaries and promotional films which do not have glamorous stars to inflate their production cost. In India, such film software has been produced, notably with the direct financial assistance of the Film Corporation of India, at a cost of Rs 2 to 3 lakhs for a two-hour screening time. Adjusting for the fact that TV software can be produced on 16 mm film instead of on 35 mm, the estimated cost of a TV play/drama/documentary of one hour duration can be placed at Rs 60-80 thousand per hour of programming.

On the other hand, the low-cost TV software consists of news and weather reports, instructional material, panel discussions, interviews, etc. While these can be produced at a fraction of the high cost TV software, they do not have as much merit of repeat broadcasting as does the other software. For,

they are, unlike dramas and documentaries, relatively dated in time.

Therefore, TV station managers may not really find any tremendous cost advantage in raising the composition of programmes in their favour. More often, such programming material is not very popular either with the audience — because its visual component does not add effectively to the message content. Sometimes, the viewer is unnecessarily distracted from the audio message when the message content of the video components is nil.

India has a large population which in fact could tremendously reduce the TV software cost per unit of audience reached. However, two factors will militate against such a realisation. First, there is multiplicity of languages and tremendous regional diversity in customs, manners, and general life style — thereby requiring production of programming material in numerous languages. Second, there is the inability of the population to own their own TV sets. Since provision and maintenance of community TV sets is itself expensive, a given programme cannot reach many persons.

My estimate of cost of account of TV software is Rs 32 crores. I may mention some salient assumptions behind this estimate. First, it is assumed that TV software is produced at 16 centres in 16 languages. Secondly, daily broadcasting time is 8 hours; 4 hours for the schools and 4 hours for public viewing in the evening. Thirdly, I have assumed that, on the average, a programme will be repeatable 5 times before it is discarded. As a result of these and other assumptions, the average cost per hour of actual programming broadcast comes to about Rs 6,500. This figure is far above (almost 10 times) the funds available for programming in the Delhi TV station. The disgusted viewers of TV in Delhi facetiously blame the whole thing on the lack of imagination on the part of the TV producers. There is a limit beyond which imagination cannot substitute for lack of money. For, skill and talent are no longer available on mere solicitation.

The author has costed up five types of alternative TV systems for India, viz, (i) wholly microwave-based system; (ii) wholly co-axial cable system; (iii) satellite-microwave-based hybrid system; (iv) satellite-cable hybrid system; and (v) satellite-aircraft hybrid system.

Three hybrid systems have been costed. One can conceive of more complex hybrid systems. Slow-moving aircrafts, flying at high altitudes, offer a TV technology that is intermediate between satellite and conventional TV broadcasting tower of a TV station. In

a wider sense, it is a proven technology. A few words would be in order to explain why a purely satellite-based TV system has not been costed up. I believe such a TV system, known as re-broadcast satellite service, does not fit into our regional diversity. For, it can offer us only 4 TV channels. Therefore, in the present stage of the satellite technology and institutional constraints, a satellite can be meaningfully deployed in the role of fixed satellite service, which would interconnect the regional sub-systems for a national hook-up whenever desired.

While combining satellite technology with microwave relays is found to be the least expensive way of establishing a nation-wide TV system in India, the cost differentials among the five TV systems are nevertheless far from significant.

System-wise estimates of annual opportunity cost are found to differ from one another by no more than 6 per cent — a difference that can be deemed well within the errors of estimation. There are two reasons behind the emergence of these negligible cost differentials. The principal one is the dominant position of common costs in all systems. For example, the common costs on capital account are 85 to 90 per cent of the total cost on capital account, in each system. Similarly, the common operational costs vary between 81 per cent in the case of a satellite-aircraft combination and 92 per cent in the case of a satellite-microwave TV system. Another reason for the emergence of insignificant system-wise cost differentials is the existence of underlying cost trade-offs within a TV system. Thus, while the satellite aircraft combination requires the least capital, its annual operational cost is comparatively high. Likewise, the advantage of relatively lower foreign exchange requirements of the purely co-axial cable TV system is eroded by its relatively higher capital and operational costs.

The foregoing comparative cost results do not decisively favour any one particular type of TV system. Indeed, one can choose among TV technologies on considerations such as (a) the speed with which a technology can help in establishing a nation-wide TV system, (b) the risk of failure associated with a technology and (c) flexibility offered by a technology in building a TV system gradually. Whereas terrestrial technologies of TV transmission have long gestation periods, the space technologies of satellite as well as aircraft offer speed in executing a large-scale TV system. But the latter are more likely than the former to fail during service. One has also to reckon with the risk at the

launching stage of a satellite. The probability of success at launch is about 0.8. What is of particular concern is the peculiar type of risk associated with the satellite TV; it is nothing-or-everything type of television in the matter of reliability. Of course, this risk can be eliminated substantially, if not wholly, by incurring extra cost of having a stand-by satellite in orbit. While the risk arising from a natural failure is taken care of a stand-by satellite, the vulnerability of the satellite to enemy action during hostilities is far greater than that of terrestrial TV technologies. But, then, natural calamities such as floods, cyclones, and earthquakes, do not affect the functioning of a satellite.

In respect of flexibility, all TV technologies except the satellite possess this attribute. A terrestrial or airborne TV system can be built gradually, and so offers an advantage when a large number of TV personnel have to be trained for a big nation-wide TV system. Further, any system that is established gradually offers scope for dynamic decision-making in the face of an unforeseen eventuality, such as resistance from a particular section of the community.

The considered view of this author is that the question of choice of TV technologies is a subsidiary one; the central question is that of the television itself. The combination of all technologies of TV transmission, without precluding any one, may be the right course to adopt in Indian conditions. Such a combination may offer some useful cost gains because of the large variations in topography and weather conditions in India. For instance, co-axial cables may be significantly cheaper to lay and maintain in the flat plains with a good network of roads and electricity grids (e.g. Punjab, Madras and UP) while microwave relays are less costly to erect and maintain in reverine or inaccessible tracts (e.g. Bengal and Central India).

Television versus Motion Picture

Among the possible substitutes for television, motion picture is the closest one. Radio can be a substitute for television where the message content of the visual component of a TV message is small. Otherwise, this single medium would be a poor substitute for the two-media (voice and visual) TV or motion picture. Here, we would examine the comparative cost of reaching Indian masses by motion picture instead of TV medium. We have costed two types of motion picture systems, mobile and fixed.

The mobile system is a blown-up version of the existing mobile units of the

Field Publicity Department, Ministry of Information and Broadcasting. In this system, mobile vans fitted with 16-mm movie projectors go round the country exhibiting publicity and information material. In fact, family planning programme organisers have lately shown increasing preference for such mobile vans over person-to-person communication through social workers. There are, indeed, plans to have one such mobile van for each district for disseminating family planning information only. Recently, some press advertisements by the Ministry of Health and Family Planning indicate interest in 8-mm movie projectors which could be placed, like TV sets, in villages.

The alternative motion picture systems turn out to be more costly than the TV systems. The estimated capital cost of a mobile van system, is \$2 billion if it is to be comparable with the TV system in terms of the duration of programming and the coverage of population. On the other hand, the capital cost of a fixed movie project system is far less (\$300-500 million).

The estimated annual operational cost of the mobile van system is \$1.3-1.4 billion, whereas the corresponding cost for the fixed movie projector system is in the range \$423-540 million. In terms of annual opportunity cost, the estimate ranges from \$470 to \$650 million in the case of the fixed movie projectors, and \$1.63-1.86 billion in the case of mobile van system. The comparable estimates for the TV systems are in the range \$207-432 million. In computing these opportunity costs, we have shadow-priced foreign exchange at 50 as well as 100 per cent above the official foreign exchange rate for Indian rupee. Likewise, interest charge is provided at the rate of 5 as well as 100 per cent — the former reflecting the cost of long-term loans and the latter indicating the social rate of return on capital.

A final remark about the mobile van system would be in order. While this system is very expensive, it offers the great advantage of divisibility and flexibility in installation. By reducing the daily duration of programming, the mobile van can reach a couple of villages. This can proportionately cut down capital costs. Likewise, it can be built gradually, offering the advantage of learning by doing.

Summary of Main Findings

(1) A full-scale nation-wide educational TV system for India has high capital and operational costs. This is irrespective of the TV technology employed. Our estimate of capital cost is

about \$900 million, which is well above other estimates that have emerged from several major TV studies. The foreign exchange component of this is anticipated at \$200 million, provided India undertakes substantial manufacture of TV sets in India. Capital costs can be reduced by about \$140 million by importing TV sets from Japan. But then the foreign exchange component would rise by another \$40 million.

(2) The educational TV system is anticipated to cost Rs 120 crores annually. This is out-of-pocket annual cost, and is exclusive of both depreciation charge and interest charge on capital assets. The main components of this cost are as follows:

TV software	Rs 32 crores
Repair and maintenance of community TV sets	Rs 18 crores
Power source for TV sets	Rs 47 crores

Therefore, the expensiveness of the TV system arises from three factors which are specific and peculiar to India: (a) multiplicity of languages, (b) low private demand for TV sets and (c) lack of rural electrification.

(3) The considered view of this author is that the question of choice of TV technologies is a subsidiary one; the central issue is one of the television itself. A combination of all technologies of TV transmission, without precluding anyone, may be the right choice in Indian conditions. Such a combination may offer some useful cost gains because of the large variations in topography and weather conditions in India.

(4) A nation-wide television service in India would be an expensive proposition, irrespective of the TV technology employed. Before creating such a service, Indian planners must make sure that its benefits would be commensurate with its costs. If its benefits are not so generally recognised that they command continuing budgetary and political support, inadequate funding of the project may arise. Such an inadequate funding may lead to undesirable consequences, such as (a) actual operation being far below capacity and (b) aberrations in the TV service (e.g. use of unwanted, imported TV programming and pressure for advertisements on the TV system).

(5) Motion picture systems turn out to be more expensive than a television system.

[This work would not have been possible without the resources of the Centre for Development Technology at Washington University. This interdisciplinary Centre has not only all the mimeo copies of major TV studies on India but also proved conducive for collecting the myriad of technical details for costing a vast project like educational TV system.]

OPERATION EXPORT

The inside story of how the Coca-Cola organisation found a new market for an Indian product in the U.S.

Mango finds a new market

In 1970, the Coca-Cola organisation began to use its worldwide resources and its 84 years of expertise in the production and marketing of quality soft drinks to develop new products that would help boost India's export efforts. Its first major success has been in the United States' own highly competitive soft drinks market.

Alert to the need for expanding non-traditional exports, the Research and Development unit of the Coca-Cola organisation in India, went to work. It evolved a stable mango beverage base and from then on it was an exercise in international co-operation.

Extensive consumer research indicated that a mango-based beverage stood a fair chance of acceptance in the large Latin-American sections of the U.S. Several product possibilities were developed and sampled among groups of Latins and non-Latins.

Further exhaustive market tests showed a distinctive preference for a mango-pineapple mix. Substantial investment was therefore made in the development by the Coca-Cola organisation of a drink of this type which it was felt would be exactly right for the United States market.

'Alegre' launched

The result was a nectar-type fruit beverage to be marketed under the trade-mark 'Alegre'.

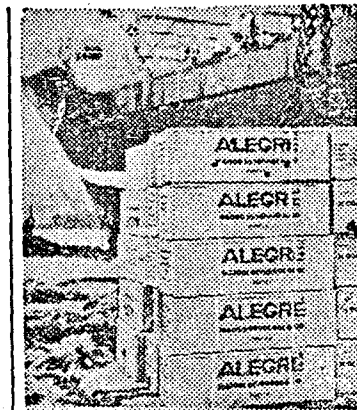
'Alegre' got instant acceptance when it was introduced in Miami. The Latins were happy to find a product they were used to in their

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STOP PRESS

Mango beverage base demand expected to hit Rs.25 lakhs

Latest reports indicate that, by the end of this year, Rs. 25 lakhs worth of mango beverage base per annum will be needed to cope with the demand for 'Alegre'. This figure will considerably increase as 'Alegre' is introduced to still further areas.



Making things go better — worldwide

The international development, production and marketing team which created a breakthrough in the highly competitive American soft drink market with 'Alegre' is already seeking ways to boost India's export trade still further. By their efforts, and through the dynamic distribution network of the Coca-Cola organisation, other Indian products may soon be reaching new world markets to earn yet more foreign exchange.



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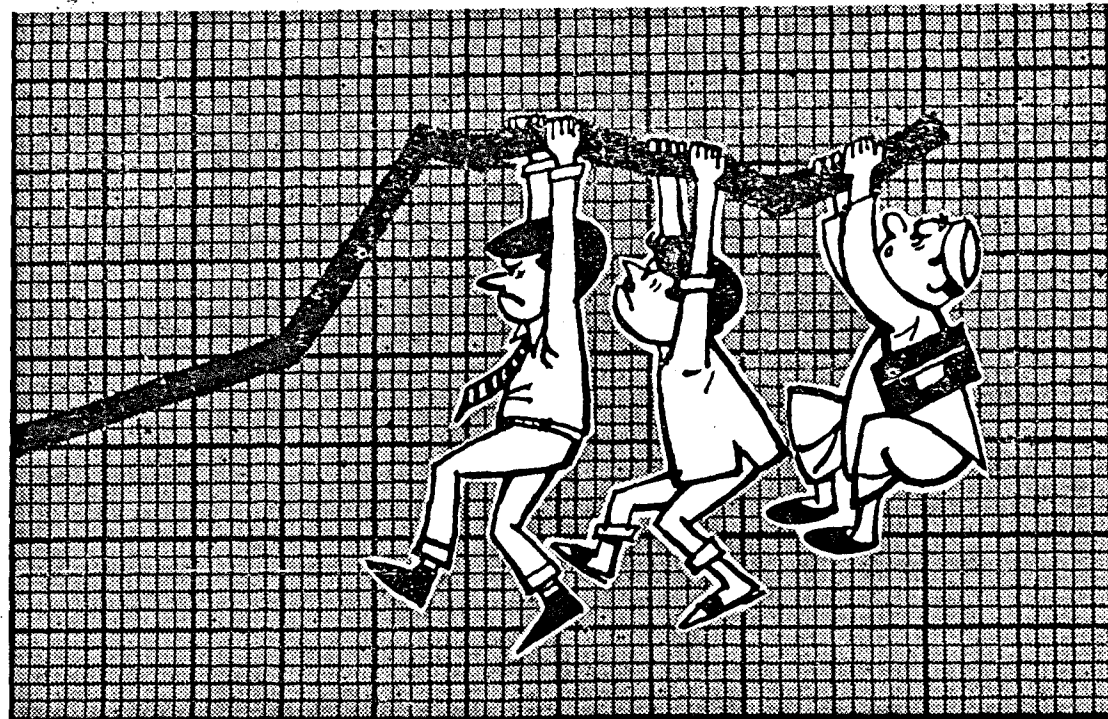


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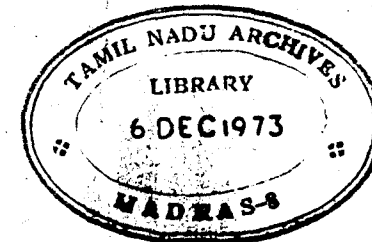
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ECONOMIC AND POLITICAL

WEEKLY

A Sameeksha Trust Publication

Rs 1.50 Vol VIII No 11 March 17, 1973



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R.R.NO.1709/73

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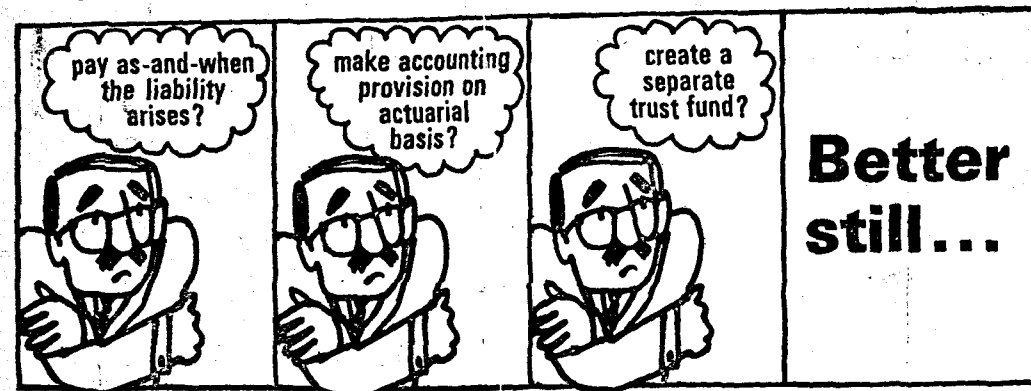
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LIFE INSURANCE CORPORATION OF INDIA

ECONOMIC AND POLITICAL WEEKLY

Founder-Editors Sachin Chaudhuri

Vol VIII No 11 March 17, 1973

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ECONOMIC AND POLITICAL WEEKLY
Skylark 284 Frere Road Bombay 400 001

Phones 266072, 266073, 260192
Grams Econweekly

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R.R.NO.1709/73 Red Herring

THE resumption of direct US arms supplies to Pakistan is significant not because it immediately poses a serious threat to India's security nor because it will touch off an arms race on the subcontinent. In this case, for once, there appears to be considerable merit in President Nixon's statement that "India's military superiority is so enormous that there is no possibility of Pakistan being a threat to India". The real significance of the American move is that it marks the return of the US to an open active role in India and Pakistan. The collapse of its long-term policy of maintaining a balance of power between India and Pakistan, as well as more immediate miscalculations, had left the US in the position of not being able to exercise a decisive influence on the events of the latter half of 1971 in the subcontinent which culminated in the break-up of Pakistan and the emergence of Bangladesh. Inevitably, there followed for the US a period of waiting and watching. In any case, during this period the US Administration was preoccupied with Vietnam.

The US's return to a more active role in the Indian subcontinent began, interestingly enough, with Bangladesh. In 1972 American assistance to Bangladesh was as much as \$ 319 million or over Rs 200 crores of rupees, all of it given as grant. This put into the shade, in monetary value at least, anything provided by any other country. Recent visitors to Dacca have testified to the pervasiveness of the American presence in that country. And now, in the last week, Nixon has loosened the largely self-imposed restrictions on American relations with the rest of the subcontinent. Of course, the character of the governments of India and Pakistan ensures, indeed requires, that American influence in the two countries is very considerable at any time. There is a point beyond which, say, Chinese influence in Pakistan, or Soviet influence in India cannot grow. But that apart, the developing situations in the two countries had begun to generate strong pressures for a more active involvement by the US. In Pakistan the influence of the army appears to be growing in proportion with President Bhutto's political troubles and pressure for beefing up the defence forces must be becoming very strong indeed. American supplies are essential for maintenance and expansion of a military machine largely acquired from the US. Of course, considerable supplies were already coming in through third countries, but his inability to reopen direct channels of military supplies from the US must have begun to appear to the army in increasingly intolerable failure on Bhutto's part. Now, after repeated petitioning, most recently by a special team, consisting of the Governor of Punjab and the Minister of State for Foreign Affairs and Defence, which was in Washington earlier this month, Nixon has been persuaded.

But if Bhutto's need for military supplies from the US is acute, so is the Government of India's need for US economic assistance. The economic mismanagement of the last few years has made mallow of relatively large foreign funds imperative for both bolstering the drooping level of government saving and financing import of a wide range of commodities in short supply. The Budget for 1972-73 had expected Rs 138 crores of DLF/AID loans against which only Rs 46 crores were actually forthcoming. It had also hopefully provided for 'new credits' from unspecified sources of Rs 165 crores, none of which materialised during the year. Evidently Nixon was not ready to oblige yet.

Now he is. Along with the decision to supply military equipment and spare parts worth rather less than \$ 15 million to Pakistan, the US has announced the release of \$ 87 million of economic assistance to India which, according to Nixon, will be available for importing items like fertilisers and power generating equipment. The Communist Members of Parliament, who should have been expected to take the government to task over the resumption of American economic assistance, have been cleverly manoeuvred into concentrating their fire on US military supplies to Pakistan. The simultaneous announcement of US economic assistance to India has gone practically unnoticed. No doubt this is exactly as the government wanted it. Hence Swaran Singh's feigned alarm and anger over the military supplies to Pakistan of which the Government of India must have been formally told by the US well before news of the move became public. That apart, a little uproar in Parliament, obligingly provided by the opposition parties, may also help the Government of India to persuade Nixon that rather more than \$ 87 million will be needed to assuage public sentiment in the country outraged by US arms sales to Pakistan.

Bangladesh

Sheikh's Success

THE elections in Bangladesh, it had become increasingly clear during the past few months, were going to be scarcely more than a formality. There was not the least doubt that the Awami League was heading for a massive victory; it was only the extent of the massiveness which was still at issue. That has now been resolved. Some strong-arm methods were perhaps used here and there by the minions of the ruling party. But not even the most antagonistic of Sheikh Mujibur Rahman's opponents would claim that electoral malpractices have been on any major scale — as, for example, were alleged to have taken place across the border in West Bengal last year. The diverse opposition groups — often more critical of one another than of the Awami League — lacked credibility as much as cohesion. Bengalis, particularly on the eastern bank of the Padma, have long been used to the phenomenon of creeping authoritarianism of which the Sheikh has been accused. Many among them are in any case incapable of sifting it from benevolent paternalism, which has a characteristic indigenous flavour. Admittedly, economic conditions have been difficult in recent months. Prices have kept on soaring, there has been a general scarcity of clothing and other essential articles of consumption; food has not always reached the spots where demand has been acute; hordes of opportunists, including shady elements who have been carried along by the ruling party, have lined their pockets in total disregard of the welfare of the masses.

But none of this made any difference at the hustings. The people of East Bengal have navigated through many bizarre situations in the course of the past quarter century; and the resulting experience must have given them a foundation of wisdom which can separate with facility the political wheat from the political chaff. Opposition parties have lacked the imagination and organised purpose necessary to grasp the political opportunity offered by the Awami League's failures. Among opposition groups, Maulana Bhashani, who has always despised the shackles of organisation, has now reduced his statements to the level of vague absurdities; alas, to be ancient has long ceased to be the equivalent of to be wise. Of the rest, the ideologues have remained prisoners of their own make-believe; honesty of purpose has never been, and

is unlikely to be in any foreseeable future, a worthwhile substitute for down-to-earthness. The Jatiya Sramik Dal, containing breakaway elements from the Awami League, certainly tried hard; but it was a condemned playground; liberation was still too near an event, and in the present climate and in the conservative soil of Bangladesh to talk ill of a father figure — at the market-place and under the mid-day sun — is a sin only a shade less heinous than patricide.

All that is over now. The assorted opposition groups have gone with the wind. The really interesting — and intriguing — phase in Bangladesh starts from this hour. Electoral success can go to the head of both the Sheikh and his party. Between the demagogue and the messiah, the dividing line is often thin. The four principles of the Bangladesh constitution, which have in fact for quite a number of years been the League's campaign capsules, could mean both everything and nothing. The Sheikh's declamation regarding his post-election programme — "My first task will be to emancipate the people from hunger and misery" — has an embarrassing pitch of banality. No doubt, the sweeping electoral victory will enable him to demand an extra measure of respect as much from India as from Pakistan. The world beyond, though, has suddenly grown very much bigger, and very much more cynical. Bangladesh has of late been cultivating, for obvious pecuniary reasons, both the United States and Japan. But unless the prisoners-of-war issue is sorted out in a manner which satisfies a much wider range of countries — certainly China not excluding — funds from external sources are unlikely to start gushing in. Besides, the corrupt elements have already had time to carve out a comfortable niche for themselves in the country's economy. As Pakistan's rather sad example shows, an excessive dependence on foreign funds encourages these elements, and leads to postponement of crucial domestic reforms of social institutions as well as of the administrative structure.

The opposition is for the present dead, but it could be resurrected in no time if the Awami League takes eternity for granted; the Sheikh may not be there on the scene for long. As Bhashani's example suggests, beyond a point, patriarchs too may become dispensable. What the future holds will thus depend much upon who imbibes what lessons from the elections. And not to give quarters to the vanquished

adversaries — as would seem to be the developing style, going by the indications surfacing in the post-election week — might be a theme of folly, around which tragedies might unfold in the not too distant future.

World Money

Menace of Speculators

THE Ministers of Group-14 are certain to formalise the decision reached at the level of officials at the beginning of this week to keep the major world currencies floating. As the much-talked-of joint float of the currencies of the enlarged ECM has not finally materialised, the ECM itself would have to cope once again with the complexities introduced by the independent floating of the Italian lira, the pound sterling and the Irish pound and the mini-float of the currencies of the remaining six ECM countries. The West Germans were able to secure a mini-joint float only after conceding the French demand that the German mark should be revalued. They have raised the value of the mark by 3 per cent. The French were understandably afraid of aligning themselves with a strong currency like the mark, which is still regarded as the strongest among the ECM currencies. An under-valued mark in the proposed regime of floating currencies would have resulted in excessive pressure on the French franc which is, perhaps, the weakest of the six currencies participating in the mini-joint float.

Though the proposed float is seen in some quarters as being a solution to the current currency crisis, it is difficult to understand why the G-14 countries took over two weeks to agree upon a regime of floating currencies. The severity of the current crisis as well as the wide ranging differences of approach among the G-14 countries could be seen from the need felt by a number of them to keep their exchanges closed for over two weeks. Despite the experience gained by these countries during the 1971 currency crisis in hammering out the Smithsonian arrangement, it is strange that the approaches of the major industrial countries to solving the recurring currency crises have not yet been harmonised.

In all probability, the mini-float of the Six ECM countries will soon run into rough weather if these countries do not introduce exchange control measures to put a brake on massive hot money movements. The West Germans, wedded as they are under American in-

fluence to the philosophy of permitting relatively free flows of capital, will once again face massive speculative capital inflows despite the half-hearted attempt to curb such flows through the 100 per cent deposit requirement with the Bundesbank in respect of non-resident deposits. Such measures, or the threat held out by the Deutsche Bank to charge 10 per cent negative interest on non-resident deposits, are unlikely to deter speculators, since the potential gain from the massive capital flows will take care of all such paltry costs. The speculators have already gained over \$780 million when they moved \$6 billion into West Germany before the latest dollar devaluation. As they are still convinced that the mark can be pushed upwards further, there is likely to be a rush to push in speculative capital into the countries participating in the mini-float. Secondly, as the gains will be higher to those that are the earliest to secure positions in the mini-float currencies — especially the German mark, because of its weak exchange control machinery as well as its inherent economic strength — countries like France with the relatively weak currencies will have to share the costs of the speculative capital inflows for the sake of their stronger parties.

The gross deposits of all the Euro-currency banks are well over \$100 billion and most of these are dollar deposits. The short-term liquid financial assets controlled by the multinational corporations, primarily of American origin, were \$268 billion at the end of 1971. The dangerous potential of these short-term liquid assets held privately becomes clear when one realises that they are twice as big as the international reserves of the central banks of all the non-communist countries. The total official reserves at the disposal of even such countries as West Germany (\$25 billion), Japan (\$16 billion), the UK (\$7 billion) and France (\$10 billion) are small in comparison with the short-term liquid funds at the disposal of the American multinational corporations. It is by now well known that the American multinational corporations are primarily responsible for creating the recurring currency crises during the last two years.

Many financial experts feel that after the recent 10 per cent devaluation, the dollar is no longer an over-valued currency, but that actually it now stands somewhat undervalued in relation to the world's other major currencies. And yet speculators have been able to disrupt the newly-arranged international currency alignment in a period of less than

three weeks. This proves abundantly that unless it is adequately equipped to deal with the menacing power gained by speculators and the onslaughts of massive capital flows from one currency to another, especially in the last few years, the international monetary system will crumble even after being reformed along the most appropriate lines.

Procurement

Wot, No Records-of-Rights!

THE Union Minister of State for Agriculture could not have thrown a politer hint than he did last week while answering a question in Parliament. He has nothing *per se* against the idea of imposing a levy on producers in order to improve the rate of procurement. He does not, however, consider the present moment opportune for imposing such a levy, since the records-of-rights are not quite up-to-date. This fact notwithstanding, if a state government dares to go ahead with the producer levy, the Centre will not mind; it will offer "all help".

There could be no better way of pouring cold water on an idea. Altogether, it is an amazing spectacle. At one end, the Prime Minister laments at a congregation of state Chief Ministers that procurement in the current year has fallen way behind what it was even in 1966; she finds this inexplicable and inexcusable. At the other end, she retains in her government this particular minister, who, along with his immediate superior is responsible, more than anybody else, for the failure of procurement. This minister indulges, in response to a parliamentary question and therefore on behalf of the government as a whole, in a strategem clearly intended to sabotage the cause. Nobody, it seems, is bothered.

If we are to wait for the records-of-rights to be corrected upto this coming Monday or Tuesday or Wednesday or whatever day in the week it is going to be before a producer's levy is launched, there will then not be a producer's levy ever. None should know this better than the minister who made the statement. During the difficult days of the 1960s, a producer's levy had been imposed with respect to several grains in a number of states, and substantial procurement had been accomplished under the levy. Then, as now, records-of-rights were neither up-to-date nor perfect, but few seriously raised this issue to stall the acquisition of grains under the levy. If the minister has now

thought it fit to rake up the issue; the purpose could not be more obvious: he must at all costs protect the interests of the larger farmers who must be allowed to save their grains which could then be disposed of in the open market at skyrocketing prices.

In this country, which has at least 350 districts and perhaps one hundred times that number of *tehsils*, setting right the records-of-rights has to be a continuous process. It is well known that those whose interests are apparently so dear to the minister are constantly at work to thwart the progress of recording of land rights in the states; instances are not lacking when state governments have passed executive orders to prevent district officials from proceeding with the task, on the alleged ground that this would lead to breach of peace, instigated no doubt by their own henchmen. On this basis, the rich producers could carry on merrily from here to eternity; they would not permit the revision of records-of-rights, this would therefore prevent the introduction of a levy upon them, and this in turn would permit the minister to keep answering the stock question with the stock apology.

Small Car

Public Design for Private Assembly?

Our Delhi Correspondent writes: THE Maruti car project of the Prime Minister's son is hitting the headlines these days, but the issues the Opposition parties have been raising appear to be rather peripheral though they are embarrassing enough. They concern primarily the irregularities in the lease of land for the Maruti factory by the Haryana government. The record of the Central government on this matter was certainly shown to be rather tarnished during the heated exchanges in Lok Sabha. In the lobbies there is talk also about all manner of other assistance and considerations that have been drawn upon to proceed with the project. But there are other issues of principle which have not attracted due attention.

The small car idea was first conceived nearly a decade and a half ago by the former Commerce Minister Manu-bhai Shah. Interest in it has waxed and waned over the years, but throughout it was thought of as an undertaking in the public sector. The controversy at no time questioned this basic premise. Rather, the question under discussion was whether the project

should enjoy any kind of priority in the plans. While the administrative ministry pressed for its inclusion under plan priorities, the Planning Commission turned it down from time to time.

With the overall erosion of the status of the Planning Commission, the Industrial Development Ministry acquired the upper hand in the matter and went ahead with its plans to launch the small car project. About a year ago, the Ministry finally came forward with its proposals and presented them formally to the Union Cabinet. This obviously implied that all other clearances had been made and that only the final decision of the government was called for. It thus came as a big surprise to the Ministry when the Cabinet, on the initiative of the Prime Minister herself, turned down the proposal on the ground that it could not be regarded as a priority project in the prevailing economic conditions in the country. This should have been the end of the small car project but for the fact that soon after the proposal of the Ministry had been turned down, the Maruti proposal began to loom large — indicating that the decision to give up the project in the public sector was somehow connected with the proposition of the Maruti enterprise. Otherwise, how is it that a project regarded as running counter to plan priorities — and therefore unfit for the public sector — may be allowed to be launched in the private sector? After all, at least in the case of large projects the same priorities should inform investment decisions both in the public and in the private sectors.

Notwithstanding the public statement of the Prime Minister that the public sector car project did not enjoy priority in the scheme of the Plan, the Planning Commission has been again asked to go into the question of the relative costs and benefits to the economy of public transport *vis-a-vis* passenger cars. A final decision on the car project is to be taken only after this examination is over, but it seems likely that while the Planning Commission will give a higher rating for the public transport system it will not rule out the small car in its second order of priorities. Since the public sector car project has been formally shelved, and the Maruti has been making headway, the latter would no doubt get the necessary blessings. Meanwhile, the letter of intent to Maruti company, which was first issued towards the end of September 1971, has been extended for the third time after the required intervals of six

months; the project will thus take considerable time before it goes into production on a commercial scale.

Another issue of interest is the claim of Maruti that it will be totally indigenous and that no foreign collaboration or foreign consultancy arrangement will be involved. Thus the letter of intent issued in favour of Maruti stipulates that no import of capital goods or of raw materials or components will be allowed. This is a very commendable intention, but the question that naturally arises is, if it is going to be possible for Maruti to produce a car on these terms why was it necessary to seek foreign collaboration for the car project in the public sector? Surely, Government of India is able to command more resources and talent than a private individual can for a project of this kind. Either the government went astray in seeking foreign collaboration since the car could be built with local capability, or there is some snag in the Maruti proposal. Reports have it that the prototypes of Maruti so far constructed — numbering over 40 — have involved no more than assembly of car-parts and components which any competent mechanic can accomplish and that they do not represent any new design for the purposes of mass production. A lot of imported material may in fact go into the production of Maruti, and the required imports may be arranged indirectly through subsidiaries and connected enterprises — which may be designated 'ancillaries' and would feed the Maruti assembly in the main factory on the sprawling 297 acres of land it has acquired.

Egalitarianism

New Dimension!

A Correspondent writes:

WITH so many from such diverse quarters gunning at the Approach to the Fifth Plan, perhaps the Planning Commission deserves a respite. Perhaps it is also bad manners to hit one who is already down and out, but the proposals in the Railway budget are almost tailor-made for posing a specific question to the Commission. Whichever of the variants of the Fifth Plan model is finally favoured for bringing down the consumption standards of the top 30 per cent of the population — essential for implementing the Plan goal of reducing interpersonal disparities in income levels — a heavy dose of taxation on the upper income-groups and, correspondingly a relatively benign fis-

cal treatment of those who are below the poverty line, will have to be the adjuncts of policy. One would have thought that, since the early bird gets the worm, a beginning will be made in that direction with the Railway budget. Several new proposals in respect of passenger fares are of course there in the budget, and are supposed to yield as much as Rs 26.20 crores. The Railway Minister has gone to great lengths in claiming a certain egalitarian logic in the manner in which the new passenger fares have been worked out: the discrimination, all along the line, is supposedly against the rich. Unfortunately, since as much as Rs 21.25 crores out of the Rs 26.20 crores would be realised from third class passengers, the Minister's claims ring altogether hollow. Proportionate to population, the Railway budget imposes as much on the third class passengers as on the upper class ones; no amount of clever-by-half arithmetic can alter this uncomfortable fact.

A more honest stance would be to mention that an overwhelming proportion of those who travel by the third class belong to the highest 30 per cent of the population whose consumption level it is intended to reduce drastically. Three decile groups from the top can cover a lot of heterogeneity in India, and third class railway passengers will be in the net. Does not this merely bring into focus the nature of the *non sequitur* which the Planning Commission's formulation in respect of goals of social justice is? A scheme which fails to distinguish between the filthily rich and the basically poor and has to make them a common target of attack must have something inherently wrong in it. The same difficulty arises at the other end of the Planning Commission's re-distribution model, where the pronounced intent of policy is to improve the per capita consumption of the lowest 30 per cent of the population. Within the ambit of this lowest 30 per cent, there will be those whose monthly consumption would be as low as Rs 5, as also those who might be spending ten times as much. To talk of an average level of consumption, and of an internally undifferentiated target of improving the level of living for this global category, makes little sense. It is always possible to draw an imaginary poverty line and allocate a certain quota of funds for ameliorating the conditions of the multitude subsisting below this line. But amongst these, there will be both those who are only marginally poor and those others who are abysmally so. A free-wheeling middle peasant in the countryside, if he possesses around 10 acres of land

and has six or eight members in his household, would, by a stroke of bureaucratic logic, might then come to belong to the same category as an unemployed landless labourer; since the same standard would be applied to judge the state of economic viability of both, egalitarianism of a new dimension would indeed be ushered in. But could planning be more trivial, or pretension and sillier?

Israeli-Arab Killings

Twisted Moral Calculus

A Correspondent writes:

THE contrast in reactions to the recent acts of terror in West Asia is nauseating. When the Palestinian guerrillas nabbed the American and Belgian diplomats the conscience of Sophists the world over was piqued and there was an indignant outburst of self-righteous anger and hatred. Nixon, as could be expected, reportedly lost his balance and demanded the summary execution of the guerrillas. Apart from the Western world, the Arab capitals also condemned the Khartoum killings. Predictably, the government and most of the news media of this country also joined the chorus. Compared to this searing passion, the reaction to the cold-blooded, calculated shooting down of the Libyan airliner, killing 106 innocent passengers was sickly, though the ritual show of grief was exhibited. Typical was a comment by *Newsweek*: "Only a week earlier, the Israeli attack on a Libyan airliner that took the lives of 106 civilians had whipped up new tensions in the Middle East. But tragic as it was, the Sinai disaster was clearly not in the same league with the calculated terror and callously executed atrocity in Khartoum." This international newsmagazine slyly chose to forget the deliberation with which the Israeli Phantoms were personally ordered to shoot down the Libyan plane by the Chief of Staff of the Israeli Defence Forces, General David Elazar, whose reputation for courage has no doubt been enhanced! Even less heed has been paid to the Israeli attack on the Palestinian refugee camps in Lebanon where the Israeli adventurers killed off women and children while Tel Aviv blandly stated that the raid was directed against guerrillas contemplating mischief.

Even a rudimentary knowledge of West Asian history shows that this orgy of violence is an after-effect of the creation of the Zionist State of Israel in what was formerly Palestine, thanks to the machinations of the US, France,

Britain and also the Soviet Union. The dispossessed Palestinians can hardly be blamed for having failed to reconcile themselves to the arrangement and for taking vengeance on their dispossessors. Perhaps, the Palestinian tragedy is best echoed in the words of Mark Twain:

"There are two 'Reigns of Terror', if we would but remember and consider; the one wrought murder in hot passion, the other in heartless cold blood; the one lasted mere months, the other had lasted a thousand years; the one inflicted death upon thousand persons, the other upon thousand millions; but our shudders are all for the 'horror' of the minor Terror, the momentary Terror so to speak; whereas, what is the horror of death by axe compared with the lifelong death from hunger, cold, insult, cruelty and heartbreak?"

In this sulphuric atmosphere, calling for restraint among the Palestinians seems presumptuous. But it must be asked whether their terrorist acts will help them reach their goal. There is no alternative to violence to overthrow a ruthless enemy; but if the acts of violence are not carefully directed and become pointless, the achievement of Palestinian objectives will become more remote. Many a promising revolution has degenerated into senseless throat-slitting because of the failure to distinguish between anarchic and revolutionary violence. Serious reorganisation, rethinking and a widening of the base of the guerilla organisations are long overdue. But this does not mean that while being critical of the Palestinian guerrillas one can forget that Richard Nixon, Golda Meir and their ilk are the ones who perpetuate the violence system.

Spices

Need for Organised Export Effort

EXPORTS of spices rose from Rs 32 lakhs in 1960-61 to Rs 25 crores in 1968-69, and further sharply to Rs 34.50 crores in 1969-70. In 1971-72, exports reached an all-time high of Rs 37 crores, giving India a pre-eminent position in the Rs 125-crore world trade in spices. However, of late there have been signs of an impending setback. During April-August 1972, only 17,600 tonnes of spices valued at Rs 10.34 crores were exported, against 28,600 tonnes valued at Rs 13.67 crores in the same period of 1971.

The decline is to be attributed to the keen competition in important items. Indonesia has emerged as a formidable competitor in pepper in the US market

— which has been one of India's major markets for spices. Indian ginger and turmeric face competition from Taiwan, China, Nigeria, Japan and Ceylon who, though they supply inferior qualities of ginger, offer compensating price differentials. Moreover, the quality-conscious Western (particularly US) markets prefer Jamaican ginger which is of even better quality than Indian ginger. In chillies, India faces stiff competition from Thailand, Mexico and Ethiopia.

There are problems from the supply side as well. At present, there is a multiplicity of organisations dealing in various spices, among whom there is little co-ordination and many of whom are ill-equipped to meet the specific preferences of importing countries. Countries in the Middle East, for instance, prefer green cardamom but Indian suppliers have only partially met this demand so far; similarly, in some countries there has been a shift in favour of white pepper but, while Indonesia has steadily captured that market by producing white pepper on a large scale, India has failed to vary its pattern of supply.

However, in terms of production India is in a strong position. Of the world's production of pepper, it accounts for 30 to 40 per cent, of cardamom 60 per cent, of turmeric 80 per cent, of ginger 50 per cent and of chillies 60 per cent. Relative to these proportions, India's share in world exports of spices is small. Part of the reason is the growing and attractive domestic market. Since there has been no significant increase in production domestic prices have been rising, whereas international prices are subject to severe fluctuations.

It is here that a Spices Board has a role to play. The Board could look after problems relating to regulation of production and international marketing. It could also make better use of the research work on spices being done by organisations such as the Indian Council of Agricultural Research, the Central Plantation Crops Research Institute, the Central Food Technological Research Institute, and the state government agricultural departments. Research is also necessary on diversification of production, processing, grading and packaging to suit the requirements of the importing countries especially the processed foods industry in these countries.

So far India has exploited its ability to supply a wide range of spices. This advantage is now slowly disappearing. Now a more organised effort is needed in order to retain the country's share in the international market.

A Kathmandu Diary

A M

IT is pure Kafka: wherever you go, whichever way you turn, never mind which poor country you are currently in, there is no escape from courses and seminars on economic development. The more the frequency of such courses, the less perhaps is the rate of economic growth in the country concerned. But such cynicism cannot deter the style of a world suffering from an excess supply of economists, quite a number amongst whom, on a fair guess, must also be moonlighting as espionage agents for this or that nation. The other day, at one such course catering to officials of the Nepalese government, there was an intense debate over the motion: 'If I were not born in the heavenly Kingdom of Nepal, I would then rather be born in China than in India'. The motion failed to carry, but just by the skin of the teeth: the verdict "of the" congregated bureaucrats was six for and seven against, with two abstentions. The minions of the Indian embassy, anxiously waiting in the wings, must have heaved a sigh which reverberated beyond Raxaul.

POLITICAL BALANCE

The vote on the motion about sums up the situation here. The Indian presence still tilts the political balance, but just marginally. Once more, it is pure Kafka: whichever way they turn, the people here cannot get away from India. Ninety per cent or more of the country's recorded exports go to India; more than four-fifths of the recorded imports come from there. More than one-fifth of the government's budget is contributed by aid funds from India. The vast, uninterrupted stretch of the lower *terai*, all five hundred and odd miles of it, beckons to India, shades off into India, is enticed by India, is repelled by India. It is a smugglers' bonanza. Nonetheless, you talk with politicians and government officials, they cannot quite make up their mind whether to hate or hug the smugglers: rice is spirited away to India, which is bad, since scarcities develop on this side of the border, but which is also good, since there is an accretion of India rupee balances. Smugglers also bring in quantities of raw jute from India, which again leave the country dressed up as exports, and provide one major source of non-Indian rupee foreign exchange earnings. There is of

course also the well-known case of smuggled synthetic yarn — and of Chinese pens and textiles. Nepal thus survives, quite substantially, on the wit and resourcefulness of seedy smugglers. And, going by the articulations of the ruling elite, Nepal hates it; she hates her state of helplessness. At any given moment — was it Cyril Connolly who once made a smart comment of this sort? — one hates oneself; the sum of these moments is in one's life. Scratch the heart of Nepal: the chances are you will find more or less the same inscription etched all over.

NIGGARDLY IN OFFERING

This feeling of claustrophobia on the part of a land-locked country has psychosomatic sanction. But sustained boorishness across the border from the south has aggravated the phenomenon. Indians as a community have tended to take for granted the only Hindu Kingdom in the world, particularly one where the roost has been traditionally ruled by waves of migrants led by the Rajputs and the Kumaon Brahmins. Jawaharlal Nehru, having extricated the hereditary King from the clutches of the scheming Ranas, gave no further thought to Nepal, which, for the residual duration of his life, became as insubstantial as any distant outpost of, say, the Gorakhpur division. Now that the so-called democratic revolution has been unwrought and the Nepal National Congress mercilessly cast away, those entrenched in power never cease enjoying a few tangential shafts at India's expense. Any Indian discomfiture, whether in the war with China or in hockey with Pakistan, provides an emotional release. This is therefore scarcely the prodigal son who is straining to return; distant history is distant history, and who migrated from where is an episodic accident Nepal's establishment would rudely brush aside; they demand proper respect for their separate personality, something which, they suspect, ingratiating occasional visits by Indira Gandhi notwithstanding, India is altogether niggardly in offering.

And yet, Nepal has so little options. For a country hemmed in by alien land on all sides and high mountains on most, and whose major exportables consist of boulders and timber, blind fury is an expandable luxury. A Nelson eye has therefore to be turned upon the marauding of the Rajasthani merchants;

however brusque the demeanour of the Sardars who have taken charge of almost the entire road transport, it has to be put up with. For, as far as one can look ahead, developing the counterpoise of a meaningful economic relationship with China will remain a pipedream. The road to Lhasa, despite recent attempts to improve transport and communications, is remote enough; but the goods the Nepalese are interested in have to travel from much further north, from the eastern heartland of China. Whatever wares have been coming in recent years from China have in fact travelled by sea via Hongkong to Calcutta, and from there in sealed wagons to the Nepal border. These too have come mostly under unilateral commodity grants by the northern neighbour, or in lieu of the local currency grant for road projects sponsored by her. There is a 'multiplier' effect of the Chinese gesture, for the fountain pens and textiles thus received have been sneaked into Bihar and West Bengal, adding to Nepal's Indian rupee balances. But this is small change. For the present, there is scarcely one commodity which China would be interested in picking from here; even if any such commodity could be located, the transport cost is bound to pose an insuperable problem.

DEEP PERIL

Nepal, weary and dejected, therefore returns to India. Every few years, the hassle over the trade arrangements heightens the tension, purposeless disputations occur over the space to be kept reserved at the Calcutta docks for goods in transit to Nepal or over what constitutes, or does not constitute, trade deflection. These alarms have a pre-ordained ending: in the manner of a small-time operator in an Eric Ambler novel, Nepalese officials grab whatever little additional dispensations the big neighbour chooses to throw their way, and come home to sulk. Bangladesh perhaps offers an attractive outlet to the sea, but she would be in no position to offer better terms than India, and would take a much less kindly view of any shennanigans along the border involving raw jute. The Americans could have come, but did not, and, instead, went to that other kingdom, Thailand, which was next to both Vietnam and the open sea. The Soviet Union would, in other circumstances, be a worthwhile surrogate, but the Chinese, unfortunately for Nepal, would not like it. Even if one were to ignore the negligible nature of the likely economic pay-off, a closer involvement with China too has

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complex political implications; for suppose China catches on and develops into a domestic epidemic, the kingdom might then be in deep peril. Till now, Shahs have monopolised all the fertile tracts in the lush *terai* regions and in the Kathmandu valley, they are entrenched in the bureaucracy and in the professions. Till now, the tribes such as the Gurungs and the Gorkhas and the Thakalis have continued to be treated like serfs and have not demurred. But nobody knows what might happen in case the northern wind starts to blow, particularly since, meanwhile, many members from these tribes had been abroad, serving in the ranks of the army and the police in other lands, and travel can broaden the mind. The ruling oligarchy in Nepal cannot afford to take the risk.

DISTURBING REPORTS

The dominating mood in Kathmandu is therefore one of sullen despondency. There is as much squalor here as you

can discover in Katihar or Kidderpore; that does not yet touch the palace-dwellers nor the transient foreign advisers ensconced in Hotel Soaltee, but one never knows how late it is. The American boys and girls — who in any case represent the dreg of the tourist traffic — still come by the plane-load in search of *hashish*, but, here too, diminishing returns have obviously set in. Disturbing reports flock in of the galloping price rise in India. Nepal has theoretically an average annual surplus of around three hundred thousand tonnes of rice, which goes to India and pays for the import as much of luxury and semi-luxury consumer goods for the rich as of essential articles. In this year of scarcity, there is a developing fear that India might suck in more foodgrains, which would leave so much less for the tribal peoples in the inner *terai* region and up in the distant hills. In the past, a shortage of food for the servile poor did not matter. From now on, it might.

earlier, I see other concentrations as well, e.g. business, cultural agencies of developed nations, etc. (September 9, p 1856). His exclusive preoccupation with government alone can be based upon the hope that these others will be more benevolent or less all-powerful. Both ways he will find me sceptical. If it is his assessment that governmental totalitarianism is emergent here, he may be rightly assessing the wishes of some people — and which powerful group does not seek to be all-power? But he is not so right in assuming that the people of this society will permit such totalitarianism to emerge. Their resistance to its endemic and sharpening inequality will hardly permit that. Of course, this is a little more evident today than when Sudhir Chandra wrote in June. And in any case, it is a little more apparent to those who pursue the "myth" of equality! To state the point in terms which should make most meaning to those who value freedom, the defence of freedom cannot be built except in the struggle for equality.

A statement by a group cannot but represent the consensus of the group of the population it typifies. Nor can it be ideally acceptable to any one member of it — either Sudhir Chandra or myself. It is clear that there is no agreement even among intellectual and cultural workers of socialist and egalitarian persuasions on precise strategies of struggle for the sort of society and culture they want. To demand this of the Simla statement is unrealistic and even incorrect. But even more incorrect is it to minimise what it did achieve. To give only one example, contrary to the impression Sudhir Chandra's letter conveys, the statement did say "A self-reliant and egalitarian social order and fundamental institutional reforms can only be achieved through sustained struggle. A new alliance of working people and intellectuals promoting the emergence of organic intellectuals from the working people is needed for urgent action along a broad front". Certainly, as he rightly points out, "not one speaker at the Seminar said the policy was not for the India that he lived in but only for the India he dreamed of". Because none thought fundamental social change must only come in 1992 or 2022. How — and how soon, 1876, or any other date before or after that — such change will be initiated was, as I said, something we were not agreed upon. Nor was it the main subject of endeavour, discussed, therefore, mostly in inter-session exchanges.

If Sudhir Chandra's "Minority Viewpoint" of June 24 was unclear in its

LETTERS TO EDITOR

Towards a Cultural Policy

I HAVE read Sudhir Chandra's letter ("Towards a Cultural Policy", October 7, 1972, p 2049). I am unpersuaded that the Simla statement (which, incidentally, you might profitably publish) is not as convenient to the powers that be as Sudhir's Chandra's communications might suggest. The Rs 200-crore cultural plan of the Government of India while acknowledging the existence of the Simla exercise states that a truly meaningful effort of this kind is yet to be made. The Rs 3,200-crore blueprint of the Education Ministry not only rejects Sudhir Chandra's *bete noire*, non-elitist education, it actually creates four categories of educational privilege — or the lack of it.

It is good to be assured at the end of his letter that he does not talk of freedom in order to forestall social reconstruction on egalitarian lines. But his scepticism on equality (and no corresponding doubts on freedom) leave me uncomfortably suspicious once again. Freud and the psychoanalysts dealt the last blow to three "myths" of the French Revolution when they illuminated the obstacles to *fraternité* which arise in the human psyche. And yet man continues to pursue all the three, i.e. *liberte* and

egalite as well. And so he must. None of these can be fought for to the exclusion of the others. If power, to quote Sudhir Chandra again, has been systematically abused — and worse — in the past 25 years, was that for want of freedom? — or of freedom alone? The basic point I wish to insist upon is that no freedom can survive a situation of gross inequality. The defence and enlargement of freedom — not only for the deprived, but also for undeprived intellectual workers like Sudhir Chandra and me — is contingent upon the struggle for equality. The only freedom that man can attain on any widespread and sustained basis is the one that is consistent with this struggle, even though it may appear less attractive to him than that which some humans enjoy in certain periods of history. This to me is as important a lesson of history as any to which he has drawn our attention.

This brings me to what he calls "the basic thrust" of his argument, *viz.* that we are "faced with totalitarianism ... have to fight against the concentration and abuse of power by the government and for the freedom and dignity of the individual". As I said

thrust — freedom and the gradual actualisation of equality being the maximum one could extract out of it — his letter of October 7 errs in failing to appreciate the relationship between programmatic statements and concrete socio-economic struggles. The former do not constitute utopian naivety, but aids the latter and, therefore, bear continuous repetition. The problem of reconciling freedom and individual and cultural variety rightly raised by Sudhir Chandra has not received definitive attention in the Simla statement. Though it has not been totally ignored either. It is a fundamental task which does not even lend itself to a *a priori* futuristic blueprinting beyond a point but which must engage — as it has done in the past — the best active efforts of socialist and egalitarian societies and of cultural and intellectual workers. We all have to be concerned that, in his words, "men and women [do not] cease to be persons and become mere means". But our concern also is that men and women, all of them, do become persons, more than most of them today are, and do not remain mere means as most of them today, again, are.

S SHUKLA

New Delhi

India Office Library

ASWINI K RAY ("European Scholarship on India", September 9, 1972) refers to "the new regulations of the India Office restricting the use of the records for only two days a week". Unfortunately, he has confused the India Office Records (that is the official archives of the East India Company, the Board of Control, the India Office and the Burma Office) with the India Office Library's collection of newspapers. Both the India Office Records and the main collections of the India Office Library continue to remain open daily (Monday to Friday) from 9-30 a.m. to 6 p.m. and on Saturdays from 9.30 a.m. to 1 p.m. The only exceptions to this longstanding rule are as follows:

- The Library's Newspaper Collection is out-housed and is open to the public on Tuesdays and Thursdays.
- Special facilities such as the use of fragile and unbound materials, and the use of the Readers' Typing Room are not available on Saturday mornings.
- The Library and the Record Office are closed on public holi-

days and for two weeks at the end of September.

The scholars who use the Library and the Record Office are aware that the collection of printed books, periodicals and manuscripts are being added to all the time and that there is, therefore, some congestion in the building. To relieve this congestion, arrangements were made to move the collection of newspapers six months ago to Bush House, Aldwych (very near the offices of the Indian High Commission). The area in Bush House provides not only improved storage for the newspapers but also a specially designed reading area for twelve readers — three times the numbers it has been possible to accommodate in the past. It is not possible at present to provide reader services at Bush House for the full working week, but a decision on opening times was reached as a result of survey of the incidence of newspaper use. The needs of scholars working on newspapers are however being kept constantly under review. The arrangements and the reasons for them have been explained to readers, and most of those who use newspapers have found that they can restrict their work on them to two days a week, devoting the rest of their time to other research materials in the India Office Library and records which are available for study throughout the week.

JOAN C LANCASTER

Librarian and Keeper,
India Office Library and India Office
Records,
London.

American Academics in India

V SUBRAMANIAM's 'American Academics in India' (December 16, 1972, p 2449) raises a number of interesting, and for the most part, valid points. As one of those American academics, I found the article painful reading. I wish to elaborate on a few points here. The one criticism on which Subramaniam is entirely unjustified concerns the lack of influence which American academic specialists on India have had on American foreign policy concerning the subcontinent. He is entirely correct in his assessment that American "India specialists" have been almost entirely without influence. But, in the American context, there is no reason to expect such influence to exist. There is little tradition in the US of *ad hoc* intellectual influences on foreign policy. Academics are often called to Washington as 'experts' but policy decisions have, until

recently, been made by State Department bureaucrats and, in the Kennedy and Nixon eras, by White House staff members and there has been no academic "India expert" on these staffs. Furthermore, there are many competing interest groups within policy-making circles in the US. Thus the influence of those favourable to India is often nullified by opposing views of pro-Pakistan elements or hardline cold warriors who have never forgiven India's non-alignment during the depths of the cold war. The basic fact is that there is no reason to expect that those American academics who take an interest in Indian affairs would have much impact in Washington. It is also quite unlikely that even major efforts (which were made during the Bangladesh crisis) would alter this situation.

Subramaniam is more correct concerning his other points. The general thrust of American scholarship in India has been along the 'mainstream' of American social science, with its general emphasis on stability, the key role of the middle classes, and its adherence to dramatic (and radical) social change. The bulk of this research, combined with the widespread use of American textbooks in the social sciences, has had an impact on the direction of Indian research. But it seems to me that, rather than exclude American researchers, a much wiser policy would be to do as the Indian authorities were beginning to do prior to the Bangladesh crisis — viz, to scrutinise research projects much more carefully through such agencies as the Indian Council for Social Science Research and to insist that the research be relevant to India and designed in such a way as to involve Indian counterparts. Further, I have been appalled over the years that many Americans who have 'minded' India for data have published the results of their research in obscure American journals and that the material was never made available to Indians. I, for one, am convinced that there must be a 'rich data base' on which more adequate theories concerning Indian development may be based. And, if American scholarship can help to develop such a base, so much the better. Of course, such scholarship must be subjected to critical scrutiny.

This issue, in sum, is a complex one which deserves extended discussion. Subramaniam's article begins such a discussion which I hope can be continued in these pages. But let us not throw the baby out with the bathwater.

PHILIP G. ALTBACH

Poor Results Despite Higher Turnover

Hansavivek

AUTOMOBILE PRODUCTS OF INDIA has produced disappointing results for the year ended July 1972, with a sharp contraction of margins despite a 17.4 per cent increase in turnover. Gross profit declined from Rs 95 lakhs to Rs 78 lakhs, even though 'other income' contributed Rs 25 lakhs more than in the previous year. This performance is ascribed mainly to rise in costs and unchanged selling prices. Equity dividend is nevertheless maintained at 10 per cent with the aid of withdrawal from reserves. M A Chidambaram, chairman, points out that operations in the current year, both at Bhandup and Lucknow units, have been affected by power shortage. He fears that the situation may get worse in the coming hot weather and may result in curtailment of production. The company has set up a new plant at Aurangabad for the clutch and brake division; also, the pace of

research activity for new scooter models has been accelerated. These efforts should show results in the coming years.

During 1971-72, the company produced 24,038 scooters and 2,986 three-wheelers. It has secured a 'letter of intent' for expansion of installed capacity for scooters and three-wheelers to 48,000 units per annum. It has been stipulated that the price of scooters and three-wheelers will be reduced by Rs 75 per unit when production reaches 36,000 units per annum, and by another Rs 75 when the output reaches 48,000 units per annum. The company has developed a 175 cc capacity scooter, which is to be introduced in the market shortly. Also, a four-wheeler light-utility vehicle has been developed, using a more powerful scooter engine. The company is seeking a licence for manufacture of this vehicle. A large portion of machinery for the clutch and

brake division as well as new equipment have been installed at Aurangabad. The company has been granted expansion of capacity of clutch assemblies from 50,000 units to 1,50,000 units per annum and of brake assemblies from 30,000 units to 1,00,000 units per annum. The company has made a beginning in the export market by shipping spare parts to Iran, Mauritius, Singapore, Kenya and Fiji Islands.

There was a lot of labour unrest at the Lucknow unit culminating in a strike which lasted three months. The outlook for this division continues to be gloomy. A project has been finalised in a tripartite agreement concluded among the Government of India, Innocenti of Italy, and API, for the transfer and installation of the entire plant and machinery of Innocenti at Lucknow. A new public limited company under the name and style 'Scooters India Ltd' was incorporated in September 1972 for this purpose. This is proposed to be a joint venture, with government holding 51 per cent of the share capital, Innocenti about 21 per cent, and API

The Week's Companies

(Rs in Lakhs)

	API		Standard Batteries		BASF India		Madras Rubber	
	Latest Year	Last Year	Latest Year	Last Year	Latest * Year	Last Year	Latest Year	Last Year
	31-7-72	31-7-71	30-6-72	30-6-71	31-12-72	31-12-71	30-9-72	30-9-71
Paid-up capital	152	152	82	82	70	70	244	244
Reserves	144	143	76	83	48	30	267	197
Borrowings	504	429	195	192	39	70	804	616
of which Term borrowings	144	79	8	12	—	41	445	323
Gross fixed assets	709	604	264	247	173	165	888	642
Net fixed assets	439	387	144	131	97	106	670	413
Investments	2	—	—	—	—	—	6	6
Current liabilities	490	470	215	150	60	29	337	230
Current assets	844	807	424	376	119	93	977	868
Stocks	486	495	209	142	60	45	582	435
Book debts	250	205	210	229	57	45	290	323
Net sales	1424	1213	657	615	424	224	2355	1557
Other income	41	16	8	7	38	30	54	30
Raw material costs	931	772	421	372	112	71	1581	1035
Wages	225	193	143	136	72	42	230	134
Interest	52	45	23	20	10	9	70	47
Gross profit(+)/loss(—)	78	95	39	29	65	30	216	149
Depreciation provision	54	39	17	17	25	16	70	59
Tax provision	11	—	13	6	12	—	46	39
Net profit(+)/loss(—)	13	56	9	6	28	14	100	51
Development rebate provision	9	22	2	2	1	6	44	7
Transfer to reserves	—11	19	—	—	16	3	27	15
Dividend								
Amount	P 4 E 11	4 11	8	8	P 2 E 9	2 3	29	29
Rate (per cent)	P 7.8 & 9.3 10	E 7.8 & 9.3 10	10	10	P 9.5 E 18	9.5 6	12	12
Cover (times)	—	2.73	0.87	0.50	2.77	2.00	1.93	1.52
Ratios (per cent)								
Gross profit/sales	5.48	7.83	5.93	4.71	15.33	13.39	9.17	9.57
Net profit/capital employed	1.62	7.73	2.55	1.68	17.83	8.23	7.60	4.82
Inventories/sales	34.13	40.81	31.81	23.54	14.15	20.09	24.71	28.58
Wages/sales	15.80	15.91	21.77	22.11	17.00	18.75	9.76	8.61

* 18 Months

and the public holding the balance. This new company has agreed to pay API Rs 15 lakhs towards reimbursement of the preliminary expenses incurred by it in connection with the establishment of the joint-sector project.

The tractor project has made considerable progress. The 'letter of intent' for the manufacture of tractors has been converted into an industrial licence and approval has been received for import of capital goods worth Rs 225 lakhs. A scheme is being worked out to transfer this activity to a separate company. In the meanwhile, API has negotiated for the import of 500 tractors in skd and ckd conditions as preliminary step to popularise the tractor in India. In fact, 250 numbers of tractors have already arrived and are being assembled.

During August and September, there was a strike also at the Bhandup and Thana plants, over the interpretation of an agreement entered into in 1968 on the question of dearness allowance. The company declared a lock-out which lasted 25 days. The stoppage of work made a dent in the company's financial position, which would affect the current year's results. Notes annexed to the accounts show that, last year, the company spent Rs 76,000 on advertisements in brochures of a political party.

STANDARD BATTERIES is going ahead with its project for manufacture of marine-duty special cells. A multi-storey building to house the project is ready for occupation and imported machinery is being cleared. The company intends to withdraw its application made to ICICI for a loan to finance the purchase of machinery and plant required for the project, as a nationalised bank has agreed to grant a term loan of Rs 50 lakhs. Last year, the factory had to be closed for 43 days due to strike by employees, followed by a lock-out declared by management. The company had also to contend with rises in cost of raw materials, chemicals, stores, and transport charges. The expansion programme for automotive batteries enabled the Madras unit to produce more. Also, improved method of production has geared this unit to meet competition in miners' cap lamps. The unit is now expected to turn out better results. The engineering division at Bhandup, in Bombay, has started to build machinery for the battery-making industry. The company's application for a licence to manufacture these machineries is pending with government. Meanwhile, the division has developed a battery charger of good quality. The

management has taken steps to minimise the ill-effects of the power-cut. Unless there are further cuts in the supply of power, the Bombay units are expected to show better results, but there is uncertainty about the performance of the Madras unit, which is facing a power-cut of 40-70 per cent. Last year's accounts revealed a sharp rise in the ratio of inventory to sales compared to in the preceding year. Total sales increased from Rs 636 lakhs to Rs 681 lakhs. The company paid, by way of commission, Rs 24 lakhs against Rs 21 lakhs in the previous year. Of this, payments to sole selling agents amounted to Rs 17 lakhs (Rs 13 lakhs). Notes annexed to accounts reveal that expenses incurred on behalf of the company by sole selling agent (for which details are awaited and have not been produced to the auditors) amounted to Rs 2,28,434. Also, as in the previous year, Rs one lakh were paid to sole selling agent, South Indian Export, a company in which Jesudasan, a director of the company, is the managing director, for use of its city office, at Madras, secretary, office staff, and other office facilities. At the same time, during the year, payments to the trustees of the excluded employees provident fund were delayed.

BASF INDIA, which changed its accounting year, has produced very good results for the 18 months ended December 1972. The board has recommended a total equity dividend of 18 per cent, with a final of 10 per cent. The performance reflects benefits of better capitalisation of manufacturing facilities, despite the fact that production was hampered by difficult supply position of indigenous raw materials in the last 2-3 months of the 18-month period and the power-cut. Early in the current year, availability of indigenous raw materials improved, but the directors feel that this position may not continue, in which case the company's performance in the current year may be adversely affected. The company is varying the terms of agreement entered into in 1965 with the National Research Development Corporation of India which has granted it a licence to use know-how for manufacture of certain synthetic tanning agents. According to the original agreement, the company has been paying royalty at 2.5 per cent on the net ex-factory sale price of the material manufactured by it. After negotiation, it has been agreed that it should pay royalty either at the rate of 2.5 per cent on the total net ex-factory sales value of Basyntans VG, FCBJ 3, JZ and FC, or at 2.5 per cent of 25 per cent of the next net ex-factory sales value of the entire range of

Basyntans, "whichever is higher." The directors say that, "having regard to the circumstances", it is in the interest of the company to vary the agreement as above.

MADRAS RUBBER FACTORY has stepped up installed capacity, from 3,60,000 numbers of tyres and tubes to 6,10,000 numbers per annum. The company's Goa plant, under erection, is to commence production during the current year. Production at the bicycle tyre plant at Arkonam will start as soon as restrictions on power use are lifted. During the year ended September 1972, the company produced 4,91,820 numbers of automobile tyres and 6,33,446 numbers of automobile tubes and 65,43,202 kg of tread rubber. Net sales advanced, from Rs 15.57 crores to Rs 23.55 crores and, in line, gross profit leapt from 149 lakhs to Rs 216 lakhs. Net profit doubled to Rs 100 lakhs. Total exports increased from Rs 47 lakhs to Rs 91 lakhs, and exceeded the company's commitment on export obligation.

SWADESHI POLYTEX's project cost has exceeded the original estimate by Rs 267 lakhs, owing to increases in customs duty and cost of indigenous equipment and revaluation of Deutsche mark. The increased capital outlay is being financed by additional foreign currency loan sanctioned by ICICI (Rs 27 lakhs), additional rupee term loans from IDBI, IFCI, ICICI and LIC (Rs 100 lakhs), issue of right shares (Rs 106 lakhs), and loans to be procured by promoters (Rs 34 lakhs). Right shares will be issued after obtaining consent of the Controller of Capital Issues. While agreeing to grant additional rupee loans, the financial institutions have stipulated that they will have the right to convert, at their option, exercisable during 1976 and 1977, a sum not exceeding Rs 20 lakhs into equity share capital at par. Meanwhile, in order to avoid delay in completion of the project, the company has availed itself of bridging finance from commercial banks. Construction and erection of the entire project has been completed in less than 1½ years of effective working. Trial runs of the plant have already commenced and commercial production is expected to start soon. The company's product, to be sold under the trade name 'Jailene', will be backed by efficient service to customers. The directors visualise high growth potential for polyester fibre, since it can substitute imported long-staple cotton; but they point out that "very high" excise duty is a major deterrent to its growth.

No Commitment to Disinflationary Policies

(From a Special Correspondent)

THE Budget is an annual ritual. It is an understandable part of this ritual that certain reaffirmations of broad government policy on major social and economic points are made by the Finance Minister at the time of presenting the Budget. But it is unrealistic to use these broad reaffirmations as yardsticks before the actual contents of the Budget are appraised. The Budget for any particular year ought to be adjudged principally in terms of its success or failure in meeting the immediate stresses and strains through which the economy is going, for that is precisely how the annual budgetary exercise dovetails with longer term development planning.

What, we might therefore ask, are the immediate stresses and strains through which the Indian economy is passing right now? The Finance Minister himself referred to "the abnormal increase in prices" during 1972-73 and showed awareness "that movements in prices during the current year have added greatly to the hardships suffered by the weaker and more vulnerable sections of our society".

There is also the serious problem of drought which keeps recurring ever so often. As the Finance Minister has said in his Budget speech, the year 1972-73 was "the second year in succession that the production of foodgrains during kharif season suffered a serious setback". The Economic Survey, however, builds its projections for 1973-74 on the hope that the weather gods will be more mercifully disposed when the next kharif season sets in. If this hope materialises it would not only reduce the demands on the Central Exchequer on this score but also help the economy in facing the other immediate problem, namely, that of rising prices. If, however, this hope is falsified, the problem of rising prices is bound to take on very serious proportions.

This does not exhaust the list of urgent problems which the country is facing but if one were to identify the problem among problems which can be said to demand immediate government action, there can be no two arguments that this problem is that of inflation. How adequately does the Budget attempt to meet the problem of inflation?

It is true that the Finance Minister himself lists inflation as the most pressing of "the tasks for the economy", which he has kept in mind in framing his budget proposals. But does his Budget give one the confidence that the government will, in the coming year, be able to arrest the price rise?

The Finance Minister has no doubt come forth with a Budget which shows an overall deficit of only Rs 85 crores for 1973-74 compared to the comparable deficit of Rs 550 crores estimated for 1972-73. This smaller figure of Rs 85 crores has been arrived at after taking credit for the various tax proposals which are expected to yield additional revenue to the tune of Rs 305 crores a year. The Central revenues are however, expected to benefit to the extent of Rs 250 crores in 1973-74.

It ought to be noted here that of this Rs 250 crores of additional tax revenues, as much as Rs 156 crores is expected to accrue from customs duty. Most of the rest comes from excise duties. However well justified the increase in customs duties may be in the interest of giving "a further impetus to import substitution", under normal conditions of relatively stable prices the fact cannot be ignored at this juncture that the way India's imports are now structured, the bulk of this additional revenue will be borne by intermediate and capital goods. If, as they must, prices of intermediate and capital goods go up, there can be no preventing such price increases from reflecting themselves in the prices of final goods. Since customs duty increases affect virtually the whole spectrum of imports, the consequential price increases are bound to be quite widespread.

Even when one refers to the possible price impact of commodity taxation, one need not be unaware of the aggregative disinflationary impact of taxation, just as when a government spokesman puts the possible price increase directly related to tax proposals in the Budget at only 0.4 per cent he is doing so with precisely the same awareness. The point, however, is that in the matter of commodity taxation since the immediate impact of commodity taxes is gradually on prices of items immediately affected, the government has to ensure

FROM OUR CORRESPONDENTS

that whatever additional commodity taxation it imposes, its aggregative disinflationary effect is realised fast enough so as not to allow demand pressures, deriving from the price increases of individual items directly affected by additional taxation, to build up. That is where the additional imports proposed for customs duties runs into a serious risk.

OMINOUS STATEMENT

Strange though it may sound, even though the present Budget is supposed to have imposed the highest additional taxation in recent years, the suspicion still lurks that the Budget is not sufficiently disinflationary. It must be said, however, that this suspicion rests less on the fact that the additional taxation takes on the form principally of commodity taxation and more on the impression which the budget as a whole leaves behind that it is lacking in genuine commitment to a disinflationary policy.

The Finance Minister talks rather ominously, one feels, of reconciling "the requirements of growth with the requirements of stability". He won't cut down expenditure "which adds to the production capacity of the economy" for the sake of stability. While he shows no concern for the erosion of his development targets in the absence of stability, he seems to be quite aware of the highly regressive aspects of inflation when he talks of hardships imposed by it on the weaker sections of the community. But it would be considered cruel to ask him straightaway whether for the sake of growth he is prepared to let these weaker sections continue to suffer disproportionately.

When the Finance Minister uses the above sort of argument posing growth against stability to justify stepping up of development expenditure in the last three years of his stewardship "notwithstanding the severe stresses through which the economy has had to pass in this period", the impression is unavoidable that this sort of argument would again be used by him to justify expenditure increases during the next year far beyond the estimates now presented. One can almost wager that when the Finance Minister presents his budget next year, he would start by saying that in spite of his herculean efforts to raise additional tax revenues, he could not keep down the overall deficit to the level of Rs 85 crores because of the inescapable increases in non-development expenditures on the one hand and the demands of growth on the other.

As far as the latter are concerned, he has even provided for "advance action" outlay of Rs 150 crores to prepare the economy for the launching of the Fifth Plan. Evidently, this provision is not covered by the Fourth Plan. But how, it might be asked, could a Finance Minister so strongly wedded to development refuse such a reasonable demand?

After all, in his latest Budget speech the Finance Minister did not consider it necessary to offer even one word of explanation for the defence expenditure rising by 14 per cent (Rs 192 crores) in the current year over the budget estimates. What is the guarantee that he will not allow the defence expenditure to go beyond Rs 1,600 crores next year. If President Bhutto keeps obliging, the sky would be the limit for defence expenditure! How could Chavan "seek stability by cutting down expenditure"

WEST BENGAL

A Year of Congress Rule

A RATHER suggestive commentary on the one year rule of the revamped Congress in West Bengal was recently provided by the Deputy Home Minister, F H Mohsin, on the floor of the Lok Sabha. He revealed that on January 31, 1973, as many as 2,449 persons were detained under the Maintenance of Internal Security Act (MISA) in this state as against 104 persons in Assam and one each in Bihar and Orissa. The Minister also stated that as on February 1, there were 49 companies of the Central Reserve Police (CRP) deployed in West Bengal as against 65 companies in the riot-torn Andhra Pradesh. The outstanding amount recoverable from this state on account of the deployment of the CRP was Rs 7.30 crores as against Rs 1.59 crores from Assam, Rs 1.07 crores from Andhra Pradesh, Rs 6.38 lakhs from Maharashtra and Rs 84,000 from Tamil Nadu.

The massive presence of the CRP battalions and the large-scale detentions are sought to be justified by the powers that be with claims of improved law and order situation. Even if the cases of continued violence against Left cadres are ignored — although there cannot be any valid reasons for ignoring them and even the front rank CPI MLA, Somnath Lahiri, who is not particularly known for softness for his erstwhile comrades, felt constrained to deplore at least one of these atrocious incidents — the trenchant criticisms made by a number of Congress backbenchers during the recent debates in the state

which adds to defence capability? We are deliberately referring to defence expenditure in this context because this is the one area where any Finance Minister's job of applying the brake is the hardest. But if a Finance Minister is unwilling to restrain expenditure in areas other than defence, he is unlikely to be obliged by the Defence Minister.

Of course, the Finance Minister himself does not believe that the deficit next year can be kept down to Rs 85 crores. He has already given notice that he has not provided for the additional expenditure which the Pay Commission's award will entail. But his deficit for the next year will most likely be much bigger and the suspicion is that it will be so notwithstanding the favourable weather. The question to ask is: Will the deficit next year exceed Rs 550 crores, the watermark reached this year?

Assembly knock the bottom out of the claims of improvement in the law and order situation. Some of the Congress Legislators complained of collusion between the police and the anti-social elements. One Congress MLA from the district of Hooghly produced in the House some spent cartridges reportedly found at the scene of an armed dacoity and voiced his suspicion that they had been fired from police guns. He further alleged that his life had been endangered twice and demanded the transfer of some local police officials.

The Chief Minister, who holds the Home portfolio assisted by Ministers of State, sought to counter the complaints about the unsatisfactory law and order situation by referring to cases in which persons arrested on criminal charges had to be released due to representations made in their behalf. Though he did not name the powerful intercessors, he left no doubt in the minds of his audience that they came from the ranks of the ruling party.

If the success stories on the law and order front fail to bear scrutiny, the government's record in other spheres is not much different. For instance, the West Bengal Land Reforms Act 1972 imposed a lower ceiling on agricultural holdings on the family basis, as distinguished from individual ownership basis under the previous Act. Under the new law, only 50,000 acres of land have vested in the state within the stipulated date, out of the nearly 200,000 acres estimated by the Land Revenue Depart-

ment officials to be falling under the purview of the new Act. The reasons are obvious. In a recent probe jointly conducted by the State Congress Chief Arun Maitra and CPI leader Biswanath Mukherji, a jotedar in 24 Parganas was found with about 1,500 acres of land in his possession. With reference to this finding, the State Land Revenue Minister revealed that the government had started settlement proceedings to recover the surplus land in the man's possession, but the process was restrained by court injunctions. Already injunctions in over 60,000 cases pending in courts had prevented the government from obtaining the ownership of 1.45 million acres of land under the Land Acquisition Act of 1955. So, the new Congress regime continues the old tradition and cannot claim to have achieved any breakthrough in the crucial sphere of agrarian reforms.

On the contrary, the disarray of the Left seems to have emboldened the jotedars to launch a new offensive against the share-croppers, as may be glimpsed from a pathetic story cited in a recent official study. The story of Indra Lohar, a sharecropper in the village Vora in the district of Bankura, who was not only evicted from the land he had been cultivating for more than 20 years, but was also subjected to many other forms of persecution, has been recounted in these columns by A M in his Calcutta Diary (January 6, pp 6-7). In the course of his dispute with his jotedar, Indra got involved in five judicial proceedings, including a contempt of court proceeding in the Calcutta High Court. The end-product of it all was that Indra Lohar stood dispossessed of his land.

In the industrial sector also, the employers seem to be on the offensive. On February 12, according to the State Labour Department officials, there were 32 unresolved lockouts in West Bengal as against 12 strikes. The number of closures had also marginally increased — from 137 in 1971 to 151 in 1972. As for some other sidelights on the performance of the West Bengal Government, not only has the quantum of the ration in the Greater Calcutta ration area been cut, but the official committee set up by the state government has recently confirmed the complaint about supply of substandard rice 'beyond tolerance limit' from ration shops.

Soon after assuming office, the Chief Minister had held out the prospect of immediate recruitment, to 17,000 low-grade jobs in the state administration. More than a million applications for these vacancies flowed in. In January 1973, the Chief Minister apologised for

his failure to implement his promise and assured more expeditious action in this regard. It is not known whether he has been able to fulfil his promise about government jobs, although he was indeed instrumental in indirectly providing a sort of employment to a large number of youths — as vendors for selling privately printed blank application forms for government jobs at railway stations and street corners.

BOMBAY

Congress Debacle

THE setting of the elections to the Bombay Municipal Corporation last week could not have been more different from that of the last elections in 1968. The Congress in 1968 was a party badly shaken by its country-wide reverses in the previous year's general elections. In Bombay the party was then led by S K Patil, the archetype Tammany Hall politician. Even his most ardent admirers could not have discerned an excess of mass enthusiasm either for him or the party of which he had been the unquestioned boss for long, boring years.

Now consider the contrast this time. This was an altogether new Bombay Pradesh Congress with not merely a new leadership but a new type of leadership. The President of the BPCC, Rajni Patel, had been hand-picked by the Prime Minister. Here was a man who had had no part in the murky politics of the Bombay Pradesh Congress of yesteryears. Indeed, he had once been a member of the Communist party. And even after that particular God had failed him, he had continued to be linked, professionally as a lawyer and otherwise, with trade unions and organised labour. After his elevation in the Congress he had gone on to wrest control of the Rashtriya Mill Mazdoor Sangh, the recognised trade union organisation of textile labour, the city's largest single body of industrial workers. Consider also the position of the Congress party in the city. In March 1971 it won every one of the five Lok Sabha seats from Bombay. A year later, in the elections to the Maharashtra Assembly, the party won 24 out of the city's 28 seats. The Bombay Pradesh Congress's popularity was thus tested twice and found to be overwhelming.

The BPCC leadership had the correct Leftist image, a far cry from S K Patil's reactionary days. The BPCC president could claim — as indeed he has been wont to do at the slightest opportunity

Of course, it would be unjust to put the entire blame for all the omissions and commissions on the West Bengal government. Much of this failure directly stems from the national socio-economic milieu of which this state is a part. But what matters is that the brave new world promised by the Prime Minister to the people of West Bengal, if they voted for Congress, still remains beyond the horizon.

— that he enjoyed the special confidence of the Prime Minister. And, finally, once again unlike in the bad old days, relations between the Bombay Congress and the Maharashtra Congress appeared cordial enough, with Rajni Patel missing no opportunity to praise the state Chief Minister for his "efficiency and integrity".

This, then, was the appearance of things on the eve of the Corporation elections when Rafiq Zakaria, Maharashtra's Minister for Public Health, had declared, in the sychophantic style so much in vogue in the Congress these days, that "the BPCC President is the uncrowned king of this great city and he will soon be crowned with one hundred seats in the Corporation". How different reality was from appearance was to be revealed when the results of the Corporation elections began to be announced on Friday night. The expectations of one hundred seats vanished into thin air, as did even those of a simple majority. When the counting was finally over, the Congress was found to have lost fully one-quarter of the seats it had in the Corporation, scraping through with 45 seats against the 61 it held before the elections.

It is useful to consider some of the more significant aspects of the reality, as distinct from the appearance, of the Bombay Pradesh Congress. It is commonplace by now that the so-called new and different leadership of the BPCC consists but of a cabal of rich and upper middle class lawyers and doctors and contractors and businessmen. The businessmen and contractors have ignored the party's Leftist slogans to flock to it in the, not unwarranted, hope of licences, contracts and other lucrative business pickings — available, as before, for a consideration. In that one crucial respect nothing has changed. The overt style may be different but — for all the socialist, and occasionally even Marxist, talk — it has taken the party

anywhere but near the people. Boys girls in bell-bottoms from affluent families were conspicuous among the party's campaign volunteers for the Corporation elections. The party's posters similarly were smartly designed — the work of professional designers no doubt — and expensively printed. The Union Minister of Health and Family Planning, R K Khadilkar, recently claimed that under the new regime in the BPCC "the Congress has left the affluent Malabar Hill, Walkeshwar and Ridge Road and has come to stay permanently in Girangaon [the mill workers' locality in Central Bombay]". The voting pattern in the Corporation elections revealed precisely the opposite: the Congress got votes and seats in Malabar Hill and other affluent areas and lost out to Shiv Sena in the labour areas.

If the Bombay Pradesh Congress's Leftist pretensions have cut no ice, its secular credentials too have been under attack from many directions. The bulk of the Maharashtra population sees the BPCC leadership as being dominated by Gujaratis. In this regard they see a perpetuation of the situation which prevailed in S K Patil's days. At the same time, the Congress appears to have lost the traditional support of the Gujaratis who have been antagonised both by the displacement of old, loyal Congressmen by the 'new' Congressmen in the BPCC and by the Communist or near-Communist antecedents of some of the leading lights of the BPCC, including its president. But the Congress's most spectacular failure has been in wooing Muslim voters. Here the pitch was queer-ed for it by the controversy over the singing of Vande Mataram in all Corporation and government-aided Urdu schools. The Muslim League is bitterly opposed to this. In an attempt not to alienate Muslim voters, the Congress tried to soft-pedal the issue and to give the Muslims the impression that it was opposed to the singing of Vande Mataram being made compulsory. The Muslims, it is clear, were not convinced by this, especially since the Maharashtra government chose — to be sure not accidentally — this particular time to make a policy statement in the state Assembly, through the Minister of State for Home, that Vande Mataram was a sacred song for all Indians and that it should be sung in all schools. This had the expected effect on Muslim voters and contributed significantly to the spectacular success of the Muslim League in the predominantly Muslim areas. At the same time, the Jan Sangh was able to show up the Bombay Pradesh Congress as being soft towards the Muslims and ready to compromise on an issue of principle like the singing

of Vande Mataram for the sake of Muslim votes. Thus the Vande Mataram issue helped both the Muslim League and the Jan Sangh, at the expense of the Congress.

As for BPCC's relations with the MPCC, what appeared to be cordiality was in fact part of a clever manoeuvre by Chief Minister Naik. It is well known that there was much hostility to the BPCC President within the Maharashtra Congress leadership, especially from Yasantrao Patil who had been ousted from the Rashtriya Mill Mazdoor Sangh by Rajni Patel's men. In fact Patil is known to have threatened to resign from the state government unless the Chief Minister acted to curb the BPCC President. Naik gave the impression of not taking these complaints seriously and in fact encouraged Rajni Patel to feel that there was close political rapport between the two of them. At the same time, in a number of specific cases he acted decisively to undermine the political standing of the Bombay Pradesh Congress. The state government's role in regard to the Vande Mataram issue has been referred to above. Similarly, in respect of the civic employees' demand for bonus, the state government, by firmly turning down the demand, caused a complete loss of face for the BPCC leadership. Further, Chief Minister Naik is said to have tacitly approved of the election alliance between the Republican party and the Shiv Sena in an effort to sustain the latter as a formidable counterweight to the Bombay Pradesh Congress. Through his tactics of overtly appearing to support Rajni Patel and covertly opposing him, the Chief Minister has not only inflicted some crushing political defeats on the BPCC President but has also discredited the latter among his own followers.

Apart from the Congress debacle, the most significant aspect of the Corporation election results is the success of the Muslim League and the Jan Sangh. The Shiv Sena, while its strength in the Corporation has been marginally reduced from 42 to 39, has demonstrated its continued hold on the Maharashtrian middle and working classes. In fact the Shiv Sena might have won a few more seats, but for the intervention of the Jan Sangh and the splitting of the Maharashtrian anti-Congress vote. The Muslim League, which won 16 seats against the 2 it had held, campaigned on a straight communal platform exploiting, apart from the Vande Mataram issue, the sensitivities of the Muslims on such issues as the reform of Muslim personal law, discrimination against Muslims in employment and the rela-

tively worsening of the economic status of the Muslim community. The success of the Jan Sangh, which increased its strength in the Corporation from 6 to 15, is to a great extent a negative victory, in that the party appears to have benefited significantly from the traditionally Congress Gujarati vote which, for reasons mentioned above, did not go to the Congress this time. However, poised as these three parties — Muslim League, Shiv Sena and Jan Sangh — are, the portents for communal harmony in the city are far from reassuring.

Industrial Relations Miracle

(From a Special Correspondent)

THE trouble with a personality cult is that it becomes difficult to keep it within the limits of tolerance. The other day, responding to a question in the Rajya Sabha, the newly installed Union Minister for Labour, K Raghunatha Reddy, was heard to make an extraordinary statement. The number of man-days lost due to industrial unrest was perceptibly lower in 1972 compared to 1971; strikes and lock-outs were on the decline. The reduction in the number of man-days lost, the Minister told the Honourable Members, presumably with devout sincerity, was on account of "the imaginative policy of the Prime Minister and the willing co-operation of the working class", in that order.

Does this herald a new kind of cultural mores which will soon breathe down our necks? In China, during the wilder days of the Cultural Revolution, when the Red Book was riding high, both common cold and intricate esoteric problems of quantum physics were reported to have been cured through the invocation of Mao Tse-tung's name. Those in this neighbourhood who then poked fun at the versatile potency of the Chairman's being, could have little imagined that we ourselves were barely six years away from that state of beatitude. One can sympathise with the poor Union Minister. He would have his reasons for feeling a little insecure in his new position, and must have concluded that by taking recourse to the rather novel *deus ex machina* of offering homage while answering a parliamentary question, he would succeed in frustrating the current actuarial projections in regard to his ministerial longevity.

It is little use lampooning Raghunatha Reddy. It is the Prime Minister herself who must bear the full responsibility for the state of demoralisation to which the utterly ridiculous answer to the parliamentary question bears witness.

Interest also centres on the effect of the Corporation election failure on the BPCC leadership. Two of the Chief Ministers hand-picked by the Prime Minister — those of Orissa and Andhra Pradesh — have already lost office and some others, such as Oza in Gujarat, Pande in Bihar, Urs in Mysore and Tripathi in UP, are facing storms of varying intensities. The Corporation elections have seriously weakened Rajni Patel's position in Bombay Congress. It will be interesting to watch whether the Prime Minister will continue to bolster him up.

The answer was ridiculous on two counts; one of them is obvious, and the other is related to the fact that all replies to parliamentary questions are replies on the Prime Minister's behalf, she being the principal spokesman and policy-maker of the government: it was thus as if, through the mouthpiece of the Labour Minister, she was beating her own drum. If responsible ministers now assume that their survival in office hinges not on any objective assessment of their performance, but on the quantum of adulatory sycophancy displayed toward the Prime Minister, it is exclusively on account of the kind of atmosphere which, sedulously or otherwise, has been fostered in New Delhi in the course of the past two years.

This can boomerang. In the final analysis, Indira Gandhi and her government will be judged by what they are able to achieve on the economic front: success here calls for a lot of hard work — and a lot of hard decisions — on the part of both ministers and civil servants. In case both these tribes honestly come to the belief that once the Prime Minister and her entourage are kept propitiated, the rest of the things do not matter, so much so that crucial issues are sloppily pushed aside, the government's collective economic performance could not then but take a further dip. And, thanks to the peril of suggestiveness embedded in the propagation of the personality cult, the blame for the failures would, at that stage, be squarely ascribed to the Prime Minister by the plebeians as much as the plutocrats: if it is her 'imaginative policy' which is currently being credited with all the miracles taking place in the world around us, it would be the poverty of her imagination which would then be voted as being responsible for all our misfortunes.

TAMIL NADU

Spent Passions

MUCH blood has flowed in Tamil Nadu since the Madurai conference of the DMK in June last year when Mu Ka Muthu, the actor-son of Karunanidhi, riding a horse, led the procession in place of M G Ramachandran, the actor-politician, and when Karunanidhi, rising to speak to a crowd which had become restive after MGR had just finished speaking, ended his talk almost before he began due to "sudden illness". The simmering conflict of ego between the "world poet" and the "revolutionary actor" had burst open. MGR's sudden discovery of corruption in his party, his consequent suspension by the DMK's executive, and his forming the Anna-DMK, the scramble for defections, and the memoranda to the President, all followed in quick succession, introducing a new element in the political scene of Tamil Nadu, which was already shaken by the Simpson struggle and the students' and agriculturists' agitations against the government.

All the pent-up discontent and frustration inside the ruling party due to the mounting unemployment, soaring prices, and indifference of the party bosses, found a rallying point in the matinee idol fallen from grace. While MGR could wean away only 9 MLAs and 2 MPs and very few DMK functionaries, the vast majority of rank and file thronged to him creating a powerful political force which swayed like a rudderless ship, unsure of which direction to go.

Karunanidhi, who had at first underestimated the popular response to MGR, quickly recovered from the setback to consolidate his hold over the party machinery. A skilled political manipulator, he outmanoeuvred his rival, keeping intact his party organisation and most of the legislators.

The disarray inside the DMK was a boon not only to Kamaraj, who was biding his time, but more to the CPI, which ever since it got off the DMK-led seven-party electorate front of 1971 alongside its mentor the New Congress has been nervously looking for shadows to hide in. In the none-too gentle politics of Tamil Nadu, where the Congress embrace — so comforting in West Bengal — is cruelly absent, it rushed in to the shelter and security of MGR's millions. Basking in the ovation of MGR's fans, CPI's Kalyanasundaram declared that the "revolutionary army of MGR" and his own

"idealistic army" would wage an epic struggle against the "Right reactionary forces" in the state and promptly followed MGR to Delhi to plead for a Central inquiry commission on the corruption charges against DMK ministers. The Congress, which is yet to find an address in Tamil Nadu, gave its moral support — all that it can muster today — to MGR. C Subramaniam and Mohan Kumaramangalam — both of whom, as Karunanidhi moaned recently, might not have been in Delhi today but for his original "sin" of getting them elected to Parliament — are making frequent trips down South, driven by the pious urge to save their state from the dirt and muck of the politics of corruption. CS challenged the Chief Minister, "Are the DMK ministers willing to resign and face a commission of inquiry? I am willing to do so if similar charges are made against me". He did not say that Bansilal would do so. But unmindful of that bit of honesty, DMK posters scaled the walls, "What about Bansilal?"

Karunanidhi's *sang froid* was not a mere facade to hide his jitteriness on the positive moves of his opponents. He had good reason — apart from Bansilal and the Maruti Ltd — not to be unduly alarmed at the corruption charges: The opposition to him was divided. Kamaraj, the "great leader", saw in the rise of ADMK as a sizeable opposition, a threat to his own traditional mass base and to his mantle as the premier opposition force. Pouring more vitriol on MGR than on Karunanidhi, he has been saying to the lakhs that throng to his meetings that tarred hands cannot point accusingly at others.

The CPI(M), the lone survivor of the anti-Congress front of 1967 — which had stood alone in the 1971 elections, and had a bad drubbing — was more cautious in its approach to ADMK. Alternatively accused of being in secret collusion with Kamaraj in 1971 elections and being a hand-maiden of DMK by refusing to join the landlord-cum-rich peasant led agitation of last year, it was bracketed once again with the DMK when it criticised the ADMK for its repeated appeals to Indira on the corruption issue. It demanded, therefore, that the masses should be mobilised to force Karunanidhi to institute a judicial inquiry to determine in the first place whether a *prima facie* case existed against the ministers. Refusing to ac-

cept the corruption charges as the sole political platform against the DMK, P Ramamurthi wrote to MGR a public letter asking him to spell out the policy of his party. An indignant and embarrassed MGR demanded why the question could not have been raised in private and Kalyanasundaram asked: "Is this the time to raise policy matters?" as if aghast at such frivolity. In the mindless drama of shifting alliances in Tamil Nadu politics, nobody has even noticed that P Ramamurthi's question has remained unanswered.

All this is past history and the details are already fading from public memory. What still lingers, however, is a part of the past that is also the present and might well be the future — the length and weight of the police lathi, the tear gas, the arrests, the disruption of opposition parties' meetings. Since the firing on the Wimco workers in 1968 the DMK's police has had no dearth of practice in target shooting, be it in Neyveli or in Annamalai University. The mass shooting of 14 poor peasants occurred in June 1972 during the landlord-led agitation. Even the judicial inquiry into the killings was forsaken, when the wily Chief Minister persuaded the Syndicate-CPI leadership of the agitation to give up that demand in return for a few crumbs to the landlords.

The days of duels and man to man fist fights are long past in India as a means to settle scores between political bosses. The leaders cannot be touched, but the *chelas* are always ready to bear the cross. The lathi fell again and again on all suspected admirers of MGR. Indeed, the ex-fighter for separate Tamil Nadu called in the CRP. The students, mostly school children were up in arms and educational institutions were closed for months. Was the CM, who had only eight years ago led students in a most virulent anti-Hindi agitation against the Congress, going to let them turn against him? Lourdhanadan, a college student at Palayamkottai, was driven by the police into the river: "How could the police know that he could not swim?", the Chief Minister asked. Clive hostel in Tiruchi was made the scene of an unprecedented police orgy. The list is endless. And the breaking up of opposition meetings in a hail of stones and soda bottles, with the police standing by immobile, has come to be the rule rather than the exception.

What is MGR's response to all this? Having climbed the high horses of public morality, and called a bandh and a few demonstrations and made the re-

quired number of pilgrimages to Delhi, and having breathed fire and brimstone against DMK violence, he seems now to be at a loss to know what to do next.

Corruption has not proved to be a soul-stirring issue in Tamil Nadu. Four months ago it seemed as though it could flush out the DMK ministry. Today the ministry seems more like an unremovable stain, even if it stays only with the aid of the red caps and the steel helmets. No one, not even a DMK devotee doubts that corruption exists. The question still remains, "who cares?". There is only a half-joke in the statement that corruption got socialised and better distributed under the DMK.

The moral of the political history of these few months, which is too inconvenient for the anti-corruption crusaders to see, is that their campaign, unless rooted in its source — viz, the unequal distribution of social wealth — and expanded to embrace the anti-democratic content of the DMK regime, just will not take them very far.

All this does not negate the fact that MGR still draws lakhs of men, women and children, who wait till the dew-soaked hours of the morning to catch a glimpse of the screen-hero and if possible to steal his touch. In the Madurai conference, MGR had demanded passionately, "would any of you here say that there is corruption in the DMK?". The people had screamed back indignantly, "No, no, there isn't". Two months later, he put the same query with no less passion and the people rose to the occasion by shouting back, "Yes, there is, yes". MGR has their solid backing. Tremendously at ease when flooded with neon lights and mobbed by his fans, MGR seems at a loss to know what to do with them off-stage. With no alternative policy to offer, a zero organisational ability, and an ambition that carries him no farther than the Fort St George, MGR presents an awkward figure overwhelmed by his followers demanding direct and daring actions which their leader seems to be capable of only on celluloid. Apart from the *bandh* and the few processions and marches, there has been nothing else going.

It was at this point, when MGR was hitting the headlines less and less even in the vernacular dailies and the movement was in great suspense waiting for the next big move that had been long in coming, that the power crisis burst on Tamil Nadu. The 75 per cent cut imposed by the Tamil Nadu Electricity

Board caught the common man totally unawares and even the opposition parties took a few days to react. As thousands of industrial workers have come to be laid off, as agriculture has slowed down, as lakhs and lakhs of small farmers and farm labour find their livelihood disappearing, as kerosene goes underground, as prices of all articles including edible oil, pulses, rice, and even salt have started the inevitable climb, a certain numbness and futility have come to settle on the political scene. The realisation has grown that nothing can really be done to save the situation for the next few months. In fact, the hydel resource is so precarious that a total cut for industries in April or May cannot be quite ruled out.

A nervous DMK Government is now politically confronted with yet another charge, more enduring and more easily provable than corruption. A joint action committee has been formed with ADMK, CPI and the New Congress. The CPI(M) walked out when the committee refused to apportion part of the blame on the Central Government for its failure to work the Neyveli plant to capacity. As it has often happened in the past, the CPI(M) carried on a separate agitation, holding both the Centre and the state governments responsible for the crisis. And Kamaraj has promised that his own show is just around the corner.

The power cut has given the much-needed shot in the arm to the sagging MGR crusade. Through the action committee, ADMK and CPI have intensified their campaign, baying for Karunanidhi's blood and true to form, demanding an expert committee from the Centre to probe the power muddle in Tamil Nadu. Ludicrous as it might sound, the Central ministers, Subramaniam and Mohan Kumaramangalam, have gone around waxing eloquent on the DMK ministry's total culpability in the crisis, disclaiming any Central responsibility, and glossing over the power crisis in all the Congress-ruled states. Mohan went so far as to claim that he learnt of the coal shortage in Tamil Nadu only from Press reports.

To queer the pitch has come the by-election to the Assembly from Dindigul. With New Congress making eyes at the Old, with Kamaraj seeking the support of CPI, and CPI holding fast to ADMK, it is anybody's guess what contours the new alignment will take.

Throughout all the shifts and changes in the Tamil Nadu political scene, one constant trend is evident since 1967: the *volte face* of anti-Congress-

ism. DMK, the once great fighter of "Northern imperialism" put up its very last show of strength against the Centre, by observing a "rebellion day" in 1968, demanding the Salem steel plant and the Tuticorin harbour expansion. Since then, excepting for a few verbal acrobatics meant for the party's internal consumption, the DMK has been extremely wary of even offending Indira — let alone antagonising her. Anti-Congressism was given a formal burial in the 1971 electoral alliance. The toppling moves by the New Congress emissaries, CS and Kumaramangalam, have been shrugged off as minor irritants. Karunanidhi said in his picturesque style, referring to the Congress election symbol, "it is the calves that are straining at the leash while the cow looks calm and serene as ever". All the efforts of the Marxists, to stir a little of DMK's past anti-Congress passions and to egg it on to a confrontation with the Centre, have come to naught. Karunanidhi continues to show remarkable restraint in criticising the Centre, even on the power issue where the Centre's culpability is enormous.

As for the CPI's anti-Congressism or the lack of it, little needs to be said. In the absence of a strong Left movement in Tamil Nadu — unlike in Kerala or West Bengal, which could draw a vacillating Party into its fold at least for temporary periods — the Tamil Nadu unit of the Party has never had a genuine anti-Congress tradition. During the Party's united days, that role was given away to the DMK, which reaped rich political harvest from it. Today, in Tamil Nadu, where Indira's party lacks a base of any kind, the CPI, ever ready to bear the former's cross and to strengthen its hands, is slaying away, to find a standing place for it.

Kamaraj, who is taking a long respite from his king maker's role as the queen has said that she will go only when she has completed her job and that might take some more time, has thrown himself entirely into regional politics — which has made it easier for him to forget that there is, after all, a name-board for the New Congress in Tamil Nadu. The main thrust of his fury now is directed against the DMK and its splinter.

Only the CPI(M) has persisted in its uncompromising anti-Congress stance, but because it is still a small force in Tamil Nadu, Indira is having it real good in this state right now. Which is why, much to the chagrin of MGR, she is not likely to tilt the apple-cart for Karunanidhi.

Heads I Win, Tails You Lose

ON the foggy morning of Thursday, March 1, members of the Orissa Legislative Assembly — including some ministers, armed with official papers for the day's business — arrived at the state Legislature in Bhubaneswar to participate in the day's deliberations which were scheduled to start at 8 a.m. To their great amazement, they were presented with a three-line circular on behalf of the Speaker of the Orissa Legislative Assembly, notifying that the Governor, B D Jatti, had prorogued the state Assembly. It was then that the bewildered legislators learnt that Chief Minister Nandini Satpathy had resigned at 6-45 a.m. that morning and that it was on her advice that the Governor had suddenly prorogued the House in session.

The legislators' amazement on the occasion notwithstanding, it was known that trouble had been brewing in the Congress party in Orissa almost from the very day that Nandini Satpathy, with the blessings of the party's High Command, had assumed office on June 14 last year. Ironically, the collapse of her 250-day-old ministry has followed the same dramatic pattern as was evident in that of the downfall of the Biswanath Das ministry in June. It was mass defections by legislators that had swept the Satpathy ministry into the seat of power in Orissa, and it is mass defections again that have unseated it. The Congress has thus been paid in its own coin after barely nine months. It must be recalled that, in the 1971 mid-term poll, the Congress party was returned to the Assembly as the single largest party with 51 seats, but without a clear majority in a 140-member House. It decided then to stay in the Opposition; and a coalition government, consisting of the Swatantra party, the Utkal Congress, and the Jharkhand party, was formed, headed by non-party leader and former Chief Minister, Biswanath Das. The strength of the government and Opposition benches was 77 and 63, respectively — Government bench: Swatantra party 36, Utkal Congress 35, Jharkhand party 3, and Independents 3; Opposition bench: Congress 51, PSP 4, CPI 4, CPM 2, Jharkhand Rebel 1, and Jana Congress 1. For all practical purposes, however, the Das ministry had the support of the two CPI(M) members and one Jana

Congress member inside the House. The ministry carried on till June last year when the Congress party struck.

In early June Congress masterminded defections from the Swatantra party, through the then Forestry Minister and Adivasi leader, Gangadhar Pradhan. Pradhan set the ball rolling by resigning from the Biswanath Das ministry. He was followed by nine other members of the Swatantra party who deserted the United Front Legislature Party, bringing the 14-month-old ministry to the brink of collapse. The Das ministry tried to bring about a confrontation with the Congress through a trial of strength on the floor of the House. Indeed, a date for summoning the Assembly was fixed by the state cabinet. But events behind the scenes were outpacing the Das ministry. The Congress High Command secretly connived with the then Home Minister, Nilamoni Routray, one of the founders of the Utkal Congress, to bring about merger of the Utkal Congress with the Congress. It must be remembered that the Utkal Congress had been formed in May 1970 by Biju Patnaik as an aftermath to the split in the national Congress party in late 1969; the Utkal Congress had claimed that it owed allegiance to neither Congress(R) nor Congress(O). At its eventful meeting on June 9, 1972, however, the Executive Committee of the Utkal Congress unanimously passed a resolution as a result of which the state-based party merged *de facto* — but not *de jure*, to quote the Congress General Secretary Chandrajit Yadav — with Congress(R). Not entirely, however. On the recommendation of Nandini Satpathy, the Congress High Command did not admit seven Utkal Congress legislators into the fold; among them was no less a personage than Biju Patnaik, together with five former ministers. This became the seed of discord and future upheaval. As it now turns out, it was this decision which boomeranged on the ruling party in Orissa and on its leader.

Soon after the merger of the Utkal Congress with the Congress, the Jharkhand party too decided to liquidate itself, and its three legislators joined the Congress benches. The Orissa unit of the PSP, led by Banka Behari Das, had already merged with the Congress, and

its four legislators had been admitted to the Congress party. In this way, by manoeuvring defections, the Congress almost overnight raised its strength from 51 to 99 in the 140-strong House.

Overriding the claims of former Chief Minister Harekrushna Mahatab as well as of the then leader of the Congress legislature party Binayak Acharya, the Congress High Command transplanted Nandini Satpathy from the Centre to head the Congress government in the state. This imposition of a leader on the state unit was, as it now appears, yet another political error on the part of the Congress High Command. As in Andhra Pradesh, in Orissa, too, the scaffolding of leadership gave way under political pressure. Immediately, however, with the formation of the Congress ministry in Bhubaneswar on June 14, the party returned to power after five long years in the wilderness. The last Congress ministry had been headed by Sadashiv Tripathy and it had been forced out of office by the Congress rout at the 1967 poll. For the state itself, the Satpathy ministry was the twelfth since Independence, and Nandini Satpathy was the eighth Chief Minister. With 99 Assembly members in the party's register; this could have proved to be the hour of strength for the party and its young leader — had they been able to grasp its opportunities.

But the glory was shortlived. It is ironical that, the very two people — Nilamoni Routray and Gangadhar Pradhan — who had helped Nandini Satpathy assume high office also helped to unmake the Congress ministry and oust Nandini Satpathy from her political perch. They did this by assisting Biju Patnaik in engineering re-defection from the ruling party. Again they set the ball rolling by resigning. It was according to them, primarily their grievance about Nandini Satpathy as leader of government that made them resign. In their letters of resignation both leaders accused Satpathy of running the government "by coterie". Routray also held Satpathy guilty of "poor leadership rank opportunism, personal motivations unfounded suspicion, parochial approach, deceitful dealings and scan and contemptuous behaviour with cabinet colleagues". Routray further pointed out that, contrary to "assurances" given by both the Congress High Command and the local leadership of the party, all the erstwhile Utkal Congress legislators had not been admitted to the Congress; this had prevented "wholesale and total merger" of the Congress and the Utkal Congress. Routray underscored

that had Biju Patnaik and six other excluded Utkal Congress MLAs been admitted into the Congress in June last year, the Utkal Congress would not have been revived in the following November. He considered this a direct insult to himself because it was he who had played "a key role" in bringing about the merger between Utkal Congress and Congress. He now pointed out that this "betrayal" had taken place because of "opportunism and personal motivation of some Congressmen in Orissa who had no political background and standing". Routray further emphasised that the *garibi hatao* programme of Indira Gandhi, which had drawn him and others to the Congress fold, had become a "mockery in the hands of a leadership which had failed to create a sense of urgency". In the circumstances, any attempt by him to "further redeem the situation created by the Chief Minister would be of no avail". His nine-month experience as a member of the Satpathy Ministry, he said, was "unpleasant, frustrating and embarrassing". The die was cast.

What was the genesis of the rift between Chief Minister Satpathy and her Industry Minister Routray? Despite the pivotal role he played in helping the Congress party to gain power last summer, Routray was never quite accepted by Satpathy. Certainly, Routray's seniority, his organising ability, administrative acumen, direct contact with the top leadership of the Congress party, years in public life, and popularity with the masses particularly in coastal Orissa, had marked him out as a potential rival to Nandini Satpathy. Routray has an image, moreover, which makes the charge of intrigue, levelled against him by Satpathy, lack credibility. The antipathies between the two surfaced over the 'kendu leaf affair'.

For quite some time, both Routray and Pradhan in their respective capacities, as Ministers for Public Undertakings and Forests, had been urging for nationalisation of the kendu leaf trade — which was finally given effect to, at least on paper, on January 14. Two colleagues of Satpathy, known to be closer to her than either Routray or Pradhan, had stoutly opposed the measure as "impractical". Among them was the Finance Minister. Opposition leaders such as Swatantra Party's leader and former Chief Minister R N Singh Deb, levelled charges of "corruption" against the Finance Minister, and accused him of "stalling nationalisation of the kendu leaf trade under pressure from the mer-

chants". A series of letters were meanwhile exchanged between Routray, on the one hand, and the Chief Minister and her Finance Minister, on the other. In course of time, however, the secret letters found their way into the Press, causing great embarrassment to the Chief Minister and her two colleagues who had opposed the proposal for nationalisation of wholesale kendu leaf trade. Reacting sharply, Satpathy stripped both Routray and Pradhan of the key portfolios of Public Undertakings and Forests, as part of her first Cabinet reshuffle. The event marked the beginning of the end.

At midnight of February 28, there was a secret *rendezvous* in an obscure place on the outskirts of Bhubaneswar, among others, were present Biju Patnaik, Harekrushna Mahatab, Nilamoni Routray and Gangadhar Pradhan. Before sunrise, 25 Congress legislators presented themselves before the Orissa Speaker, Nanda Kishore Mishra, at his residence. They submitted their letters of resignation from the ruling party and declared they had joined the Orissa Pragati Legislature party, led by Biju Patnaik. The strength of the Congress party, which had slumped from 99 to 80 as a result of the revival of the Utkal Congress in November and the birth of the Mahatab-led Independent Congress party after the Cuttack by-poll, slumped further to 55. It was the most dramatic downward journey of the past 25 years for the Congress in Orissa.

Nandini Satpathy acted swiftly in the new situation. Within half an hour of the Speaker's recognition of the resignation of 25 legislators from the ruling party, she had summoned a cabinet meeting at her residence at the unusual hour of 6.30 in the morning, to which neither Routray nor Pradhan were invited. It is said that, because of short notice, those cabinet members who were invited by the Chief Minister over the phone could not make it. Satpathy then wrote to the Governor suggesting that Routray and Pradhan be dropped from the Council of Ministers. She also "advised" the Governor to dissolve the state Assembly and order fresh poll. The communique from Rajbhavan was quick in accepting the resignation of the Council of Ministers; it also requested Satpathy to continue till alternative arrangements could be made and prorogued the state Assembly until New Delhi decided the next course of action. The Governor's decision of proroguing the Assembly had an electrifying effect on legislative circles. Satpathy seem-

ed to have avenged her potential defeat; the topplers were toppled — at least for the time being.

Pragati Dal leader Biju Patnaik, however, refused to accept the position. He called on the Governor, and demanded that he, as the leader of 72-member-strong Orissa Pragati Party and by virtue of the declared support of the two CPI(M), two Jharkhand party, and two Independents, be invited to form a ministry. Indeed, Patnaik paraded 75 MLAs before the Governor on the same day (March 1); two others might have been present, he said, but were unable to report because one was bed-ridden and the other was out of station. The Governor sought time and sent his report to the President through special courier.

The ball was thus predictably put in the court of the President — which meant the Union Government and, more precisely, the Congress High Command. True to expectations, the Assembly was dissolved. Questions have been raised about the constitutional validity of the Governor's action on the "advice" of a Chief Minister "who had been reduced to a minority". The subsequent action of the President has also figured in Parliament, with Congress(O) leader Mahavir Tyagi, former Union Minister, demanding in the Rajya Sabha that the President be "impeached" for having acted as "rubber stamp" in disgraceful violation of the Constitution. In the Lok Sabha too the Opposition (excepting CPI) made bitter attack with Swatantra MP Piloo Mody remarking that the "sole beneficiary" of the 23rd proclamation issued by the President was the Congress party. The Congress(R)'s argument, that the Pragati party had mustered its strength by causing defections, flies in the face of the ruling party itself which only last summer proved itself adept at the task. But how does all that matter? The pattern of arriving at Presidential rule is not new.

Meanwhile, undaunted, Biju Patnaik has further fortified his position, by initiating the "total merger" of the Utkal Congress, the Orissa unit of the Swatantra party, and the Independent Congress of Mahatab. By the time this piece gets into print, polarisation of these three parties or a solid electoral alliance of them would have been struck in New Delhi where leaders of three parties are currently meeting. In the Congress camp, on the contrary, fresh fissures have surfaced with 11 out of the 17 Congress MPs from Orissa having demanded change of state leadership, thus throwing the party into further disarray.

Wage Freeze, Profit Increase

Farrukh Dhondy

ELECTION time breeds election talk, but in Britain today the necessity for electioneering forced on Heath and Wilson by a restless country, may breed a general election. The calculating guessers are beginning to fly their kites. Tory backbenchers are reported to have picked up the scent of the chase. Harold Wilson, that stocky thermometer of Heath's moods, has quickly raised the tempo of his attacks against the government to electioneering pitch. Just in case.

"PUBLIC OPINION"

For the last year the Tory party has been threatening the country with an election on the industrial relations issue. It is said, by editors who ought to know better, that the Tories can expect a vast and enhanced majority on this issue and can rally the public behind them and thrash hell out of the unpatriotic unions who will not do their bit for Britannia. The question is always posed: "Who rules the country, the government or the unions?". The truth is slowly beginning to dawn, a truth that may prevent a snap election, that the workers in the unions and their families are the country. Yet one of the current mysteries of Britain is a mythical "public opinion" which the news media constantly call upon to oppose the workers and their actions.

The latest call came at a rally against the gas workers who began a go slow and a ban on overtime work last week. They threaten, if their demands are not met, to call out particular sectors of the gas industry on continuous and total strike, imposing a freeze on the homes and hearths of this country to fight the wage freeze. Heath is endeavouring to take into its second phase. The gas workers have an excellent case. This is their first strike. Over the last few years they have suffered massive redundancies in the trade, owing partly to the switch to natural gas. The electricity workers, in a comparable industry, received a £ 3.05 increase a few months ago, days before the freeze fell on old promises. The gas workers are not even allowed, under present wage-freeze legislation, to negotiate the rise they've been patiently waiting for three years. Under the Tory Phase Two of

the freeze, they will be entitled to a maximum of £ 2.24, which will cause a further widening in the gap between them and the electricity workers.

Their pay claim brings the gas workers union into direct confrontation with the state. There is no distinction between their claim from the management of the Gas Board and an assault on the class law of this state. They know it. Their leaders have called, not for an early settlement, but for a fight against the government's freeze and general policies. The alliances they have made in the last week are also clearly on this political basis. The Ford workers at Dagenham and in other plants are also putting in for an increase which they want before Phase Two of the freeze begins to operate. The footplate men in the railway industry have filed their claim as a special case. Already the civil servants union and the hospital workers union, and last but not least, the teachers of London, have made explicit their demands for pay increases. The claims of the last three unions are for public sector employees who the nation knows are paid badly. There is no absence of sympathy for them and they, like their co-workers in industry, see that they are fighting the government's anti-inflation policy.

UNION-BASHING

The Tories cannot afford to let any of these unions win. It is their last ditch and they must hold it, or call a general election and follow through their claim that the country is for union-bashing. That is presuming, of course, that in an election called on a class issue people will not vote along class lines and cause the Tory party to lose its deposits, putting God knows whom in their place.

Though industries can expect to be without gas for the coming weeks, and London commuters will have to drive or walk to town, and stories about freezing old age pensioners will be circulated by the press, everyone, including the government, knows that the situation can't be allowed to go on indefinitely. No one has an alternative or an emergency plan which carries any conviction. The Trades Union Congress has given its backing to the gas workers

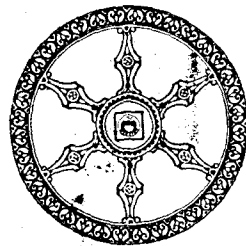
by threatening to call a one-day general strike. And then? The Labour party, in a posture of reflexive readiness, begins making speeches about all the other issues, apart from the industrial one, on which an election could be held. At present they can do no better, because their record of attempted wage control is just as bad as this government's, and the one thing Wilson doesn't want the Labour party to be is the parliamentary voice of the unions. This ambivalence on Labour's part, makes predictions of the election results a difficult business. At present the Labour party is leading by seven per cent in the national polls. The Tories threaten an election on the unions issue, but what guarantee have they that the people will vote on that issue alone — after all it isn't a referendum. And if they do vote Tory, will that mean that they are against the unions or merely that the Labour party has succeeded in fragmenting itself and has failed in trying to stand up without the backbone of a programme?

The most real indication of the probable result of an election at this stage will be the Greater London Council elections in spring. Ninety-two of the British parliament's six hundred-odd seats fall within this area, and the election of councillors will give us some indication of which way the wind blows. Even here the Labour party has had a bout of two-facedness. Ten days ago it published a brave new manifesto promising to abolish the private landlord in London if it were elected, promising free rail and bus transport, a new educational building programme. Now it has come out with an embarrassed statement saying that it would cost too much to do all that, but that it's a good target to work towards.

Nationally, it promises annexation for several profit-making industries into the public sector. It has never been known to do it. The Labour party's nationalisation programme has always been for the public acquisition of basic industries like coal and steel which run at a loss and are then paid for out of public money so that the private sector can continue being supplied with cheap coal and steel and make a profit on finished goods. No Tory in his right mind would oppose this form of national ownership.

PARALLEL FREEZE

The freeze can be expected to continue for about three years, if there is no general election, and it means that wages will be restricted to a pound a year plus four per cent for the lowest



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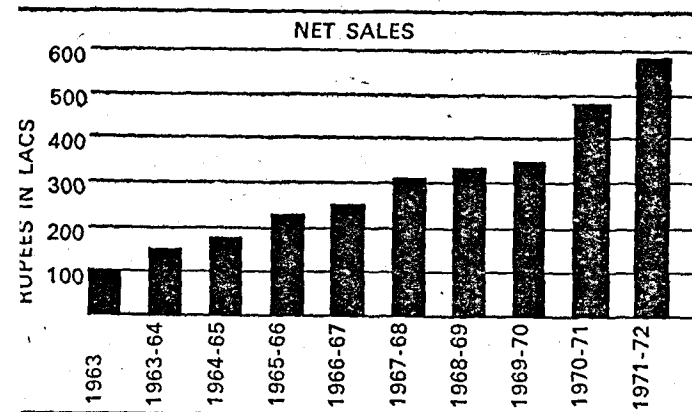


PRODUCTION

The company had a satisfactory year of Production at all the three units. Our Protein Division at Ghaziabad has made good progress. Every efforts were made to meet the substantial demand for our Protein Food Product — PROPAC Salties — our new protein enriched product is becoming a popular snack in the sophisticated urban market.

SALES

The Company's sales have reached a new higher level at Rs. 593.7 lacs. Domestic Sales have recorded an overall increase of 20% over that of previous year. The Company's Export performance is also satisfactory. The export Sales have exceeded Rs. 23.5 lacs.



PROFITS

Despite a substantial rise in the Sales, the Profits have not kept up pace. The increase in wage bill and cost of raw materials coupled with unchanged and controlled selling prices are the major causes responsible for this situation.

BONUS ISSUE AND DIVIDEND

As resolved at the 9th Annual General Meeting 9,000 Bonus Shares of Rs. 100 each were issued during the year. Allocation for Dividend amounts to Rs. 6,30,000 Previous year Rs. 5,40,000.

PERSONNEL

The relations between management and employees at all units of the Company during the year were very cordial and satisfactory. The employees untiring co-operation, loyalty and devotion has been largely responsible for the substantial progress during the year.

CHAIRMAN'S REMARKS*

"We are meeting at a very critical time when the economic crisis is enveloping all around us in the country and particularly in the State of Maharashtra. Rural Maharashtra is in the grips of acute scarcity conditions. Your company has contributed towards this relief effort in its own way. Some of the employees of the company are personally looking after the relief efforts from the collections from

amongst the employees on a sustained basis. The scarcity conditions prevailing in large part of our country have a much deeper significance from the point of view of growth of sales. We are sparing no pains to forge ahead but the results may not be good. This year may just turn out to be a year of consolidation.

It appears from the reports appearing in press that the Bureau of Industrial Costs and Prices has submitted its report to the Central Government and it is receiving their attention. It is likely that the government may appoint a review board to consider this report before arriving at their conclusions. It is not possible to offer any comments till all the details are available. However it is evident from the recent price approvals by the Government that erstwhile markups in fixing selling prices are not allowed. They are being scaled downwards. The costs however are increasing. Two way cut thus continues. All this makes uncertainty as the only certain factor.

I feel that the basic curriculum of undergraduate as well as post-graduate pharmaceutical education needs redesigning to suit the requirements of the industry. Research subjects for M. Pharm, Ph.D. degrees need to be oriented to the theoretical investigation as also to meet requirements of the Indian pharmaceutical industry. To that end, I suggest that our industry as a whole should institute annually at least 250 junior and 100 senior research fellowships to various academic research Institutions. Its potential benefit to the industry through a regular supply of trained research workers, would be managers and building of bases on which developmental efforts could be focused in co-operative. Governmental and private R and D organisations would be substantial.

The new managerial challenge in the foreign trade in drugs is to narrow the gap between exports and imports. To this end, not only aggressive salesmanship would be needed abroad but we would have to export bulk drugs to advanced countries on the basis of advantages. Of course, we would then have to put up optimal size plants instead of sub-optimal ones existing now.

Another practice, which have started following in small way, is to form consortia to export in substantial quantities, mostly to cater to the orders placed by various foreign governments. Even for private trade, I feel that these export consortia could be developed, which could deal with under-developed countries and East European countries better than individual exporters can. I feel that competition in sales should be limited to the home market. It should be supplanted with co-operative salesmanship in foreign markets.

SUMMARY OF RESULTS FOR THE YEAR ENDED ON

30TH SEPTEMBER	1972	1971
	(Rs. in lacs)	
Sales	593.71	195.36
Exports	24.11	20.99
Profit after tax	17.8	13.8
Depreciation	12.50	9.80
Development Rebate	1.20	1.18
Dividend	6.30	5.40



paid workers and nothing for the better paid. Even though a parallel freeze has been imposed on prices, they have crept up three per cent since the imposition of the freeze without the government being able to do anything about it. Not that it cares. In all their anti-worker propaganda, the newspapers and surveys have failed to mention that the top fifty firms in Britain last year made a record average profit of £61 million. The only placatory answer that the government has come up with is a pay board to which the unions can take their claims. So far it hasn't been set

up and will be when Phase Two of the freeze, which is supposed to be a thaw, comes into play next month. The unions have refused to consider voluntary restraint and say they will talk to the pay board when they see what its about. They only have to look at the government's parallel controls on dividends and company profits to know that the anti-inflation measures work on the assumption that wages cause the inflation spiral and that the spirit of free enterprise for the Tories is now secondary to controlled and increasing profits for the monopoly sector.

ECAFE

New Brooms Sweep Clean ?

M R

ECAFE's headquarters in Bangkok — eagerly awaiting its new, Indonesian Secretary-General, Maramis, and the permanent representatives from mainland China in the place of the expelled Taiwanese—is known as a big paper mill that churns out pointless reports known for their volume rather than for their relevance to the continent's problems. The ECAFE Secretariat costs some six million dollars annually and there is the clammy feeling in many quarters that the sum is spent rather wastefully. The poor performance of ECAFE is the principal reason for this belief. The visit to the ECAFE headquarters in Sala Santitham of UN Secretary-General Kurt Waldheim prompted a local English daily to venture the hope that "the long process of ossification" which the outfit had undergone might be reversed. The paper regarded the timing of Waldheim's visit excellent for several reasons, but the first reason it mentioned was in the nature of a left-handed compliment: "You yourself have just become Secretary-General and your ideas are unlikely to have solidified".

POSSIBLE CONSEQUENCES

The countries of South-East Asia are worried about the possible consequences of the post-Vietnam war tapering-off of United States dollar spending in the region. This would affect the balance of payments position of the countries which had hitherto benefited from the dollar fall-out. Their main hope now is that the huge funds likely to be available for Vietnamese reconstruction will help them to some degree in overcoming the balance of payments problem.

But there are more serious imponder-

ables for these nations. Their exports, mostly primary products, are at a disadvantage while their limited range of manufactures face tough tariff barriers in developed countries. The domestic markets are too small to absorb the manufactures. The United Nations has not helped these countries to achieve self-sustained growth; their dependence on aid continues and the dominance of the multi-national corporations increases.

OPEN TO THE CHARGE

ECAFE's preoccupation all these years has been with foreign aid and not self-sustained growth within these countries. The investment climate for foreign capital has been the main obsession reflected in the efforts of the ECAFE Secretariat. In fact, the Secretariat has now laid itself open to the charge that it has degenerated into one of the instruments through which the detested multi-national corporations operate to gain control over the economies of the member countries.

The ECAFE Secretariat has hardly any faith in the ability of the member countries to set themselves on the road to self-sustained growth. As a consequence, the Secretariat has bothered little about regional co-operation and has tended to indulge in unrealistic thinking about mythical pan-Asian development while ignoring the exigencies of unequal development. Nevertheless, the Secretariat has been talking loudly about sub-regional co-operation, almost to the point of being perverse, because it has never bothered to help existing sub-regional groupings like the five-nation ASEAN.

There have been serious complaints of a built-in 'non-regional' bias in the Secretariat, compounded by the poor quality of the Secretariat itself under the outgoing Secretary-General, Burma's U Nyun. In the corridors of Sala Santitham one often hears about the need for a thorough overhaul not only of the Secretariat but of the Commission itself. The qualifications and competence of many old-timers in the Secretariat have been questioned and this calls for a clean sweep to eliminate the sycophants who over their long stay here have acquired vested interests. It is alleged that even the projects are so chosen that they advance the personal interests of the various chiefs of divisions and are in no way related to the needs of the region. There is a marked reluctance to undertake a cost-benefit study before taking up a project. So much so that a great deal of ECAFE's work is either pointless or just lacking in efficiency. In the name of country quotas, it is alleged, an organised kind of mediocrity has been institutionalised at the ECAFE Secretariat and this has had a deleterious impact on the utility and efficiency of the Commission's functioning.

Kurt Waldheim's visit to Sala Santitham itself will not make much difference to the utility or the quality of ECAFE's functioning. Nor will the advent of ECAFE's own new Secretary-General, who might attempt a little spring-cleaning because new brooms are supposed to sweep clean. But successive Secretaries-General have achieved little in the past. The die seems to have been cast and the pattern perpetuates itself. It would, however, be interesting to await the Chinese reaction to the manner in which ECAFE functions.

SINGLE CHALLENGE

The biggest single challenge ECAFE now faces is the reconstruction of war-ravaged Vietnam but little home-work on this seems to have been done at its headquarters. It is business as usual and will be so until China makes its debut at the annual ECAFE ministerial conference in Tokyo in April and sends its permanent representatives to Bangkok. A fierce Sino-Soviet clash in attitudes to economic development of the ECAFE region is indicated in the months to come and the Secretariat, given its time-honoured ways, may find itself shaken into a new reality. Whether this will make for a more purposive ECAFE is another question.

On Industrial Societies

Satish Saberwal

The Crisis of Industrial Society by Norman Birnbaum; Oxford University Press, 1969; pp xi + 185, bibliography, index; \$ 1.75.

"CRITICAL" analyses of modern society ... seek new possibilities, new dimensions of freedom, in its inner movement", says Norman Birnbaum in a superb example of this genre. This critique focuses primarily on Western Europe — Britain, France and Germany — and the United States and secondarily on Russia and the state socialist countries of Eastern Europe. The broad rubrics of "class", "power", and "culture" allow Birnbaum to cover a very wide range of issues.

Since the working class in the Western countries has failed to organise itself for changing society at large, Birnbaum anchors his "classes" to occupational groupings: peasants, workers, technical intelligentsia, technical elite, bureaucratic and political elites, university and other intellectuals, students, industrial managers, creative artists, and so forth. With these categories he explores the social history of England and France to make the point that the particular tenor of the class relationships in a society can be understood adequately only with reference to the political and cultural traditions evolved in it over the centuries. Overall, he converges with Ralf Dahrendorf, T B Bottomore and others to suggest that the crucial problem affecting class relations today is not that of ownership but of control over property (though he discounts the differentiation between the owners and managers in the West) which enables the managers to be socially dominant in the workplace. To challenge this dominance on behalf of a more participatory ethos will require "not unrefined experience alone but conscious reflection upon it, not the immanence of an historical situation but the cultural perspectives with which a new generation interprets it..." (p 40).

Concerning "power", Birnbaum examines first the sources of "consensus" in industrial societies and then the inter-relationships between the state and specific interest and power groupings. The apparent consensus in industrial societies has diverse sources: a substantial amount of state violence continues to be used to enforce compliance; the very opacity of the larger social process persuades a great many people unreflectively to com-

ply with suggestions emanating from seemingly authoritative sources; the habits of obedience are bred in diverse institutions — schools, universities, factories, army, and bureaucracies; and then "there are ... instances ... in which a publicly acknowledged framework and an implicitly held one of a different kind together constitute a form of consensual schizophrenia in the body politic". (In other words, doubletalk and doublethink — and doubleplan — were apparently not invented by those who rule India today; but it would seem that they have created near-perfect conditions for political sociologists to examine the sources, the modes, and the consequences of this kind of "consensus".)

Birnbaum sketches for several countries the failure of the state apparatus, even when controlled by nominally socialist parties (such as Labour in UK) to "attack ... the efficacy of large-scale property". Indeed, for the US, the national foreign policy cuts a furrow very close to that of private enterprise. True, political technicians often operate the key levers but "they share social background, common educational experiences, perspectives, and often careers with men in the other bureaucratic systems": this class position influences their political values which influence

their technical choices. The state and private bureaucracies can together "pursue long-term strategies"; parliamentary careers tend to have shorter lives. Welfare measures ensure steadier performance by labour, at little cost to concentrated property; in any case these contribute much less to "welfare" than full employment would.

For the future, then, Birnbaum sees some promise in the student activists, symbolised in the May 1968 student-worker uprising in Paris. Of political structures, the state socialist ones have been used by the partymen in control for their own purposes as much as the Western systems: so he would back the Yugoslav sort of socialist liberalism with "pluralist control of the administrative and productive process: producers' collectives, workers' councils, autonomous agencies of cultural production, rotation of leadership in each" (p 105).

His chapter on "Culture" — examining the industrialisation of culture, the stratification of the cultural apparatus, the performance and the potentials of the university system — is in some ways the most stimulating, but I have said enough to show the application of a critical intelligence to overarching concerns. The bibliography lists some 400 items, mostly books in French and German as well as English, but there are no references (or footnotes) in the text. Happily, however, his purpose is not to satisfy a nitpicking thesis committee but to raise very broad questions and suggest some answers concerning the industrial societies. Birnbaum has done his colleagues proud.

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Labour and Productivity in the Tea Industry

Manorama Savur

India may be the largest producer and the largest exporter of tea and tea may be one of the two major foreign exchange earners for the country, but what is forgotten totally is that the labour force, particularly the female labour force, is the backbone of the tea industry.

Labour, and female labour especially, is most exploited in the tea industry. Its is the most significant contribution to the profits of the industry; yet the returns to it in terms of wages are abysmally low. The share of labour compares very unfavourably with the profits of the proprietor, the dividends of the shareholder and the earnings of the manager. And the share of the female worker compares unfavourably even with that of her male counterpart in the same plantation.

The reasons for this absurd discrimination are historical and its persistence after Independence, while inconsistent with the government's professed ideology, is perfectly understandable given the country's economic system.

This paper seeks to show how labour, particularly female labour, is made to create surplus value in the tea industry in two ways:

- (1) by unfair techniques used to raise the productivity of labour; and
- (2) by underpayment of wages.

I

NOT many are aware of conditions in the tea plantations. One may be vaguely aware of the stranglehold of a handful of British interests over the tea industry and the international tea market. One may even be aware of the fact that the profits of the tea industry are syphoned out of India.¹ But one never stops to think how these enormous profits of the tea industry were made and why these conditions still persist.² At the base of this is the exploitative relationship which persists till today. A brief history of the development of the plantation industry in India will throw light on this.

British capital had two methods of exploiting Indian resources; one was industrial activity and the other the plantations. Textiles were highly developed in India. Control and manufacture of this commodity appeared as the most fruitful source of investment. Meanwhile, power driven machinery had revolutionised both the methods of manufacture and the means of transport at home in England.³ Therefore, competition in textiles by primitive methods of manufacture became irrelevant. Englishmen then turned their capitalist interests in the second direction. Investment in plantations in the West Indies at about the same time was yielding large returns. There was no reason why it should not in India. The first plantations to be developed in India were indigo, then tea, coffee and, much later, rubber.

"Planters seldom came from Europe

with capital. By 1830 none had done so. Rather, they raised capital by borrowing from Indians, from the European servants of the Company or from 'agency houses' in Calcutta."⁴ Production of tea was unknown to both Europeans and Indians. In 1815 the tea trade with China was the major source of profit of the East India Company. In the eighteenth century the Company officials suggested growing tea in territories controlled by them. The Court of Directors turned down the proposal. The most obvious reason for the decision was that they held a monopoly of British trade with China and the principal item of this trade was the import of tea from China. When the monopoly came to an end in 1833 they quickly perceived the advantages accruing to them by establishing a new industry in India. "In 1834 a committee was set up to consider and submit plans for the introduction of tea culture in India."⁵ Seed and plants were brought from China along with a number of Chinese labourers and a number of experimental gardens were started in the southern slopes of the Himalayas and in Assam. Forests were cleared for this purpose, but the government did not care to adequately "protect the rights of the wild tribes inhabiting these jungles".⁶ Lands were given by the government on very liberal terms. Estates ranging from a hundred acres to ten thousand acres were given on 45 years' lease and the rent-free period varied from five to 25 years. In 1861 the system of 'fee simple' grants was introduced. The price of land ranged from Rs 2½ to Rs 5 per acre.⁷

In the early days an estate could be cleared and brought to bearing stage for £ 40 to £ 50 sterling per acre.⁸

Today, there are many small tea gardens, but the typical one is large. Tea is a large-scale plantation industry. Tea companies were started very largely as proprietary concerns by retired British civil or army officers. Many of these individuals were unsuccessful and when they found it difficult to carry on their work, particularly during the years of financial stress between 1866 and 1868, they handed over their estates to managing agencies. Some were registered in India and some in England. "The typical unit of the industry took the shape of a sterling company in UK owning plantations in India."⁹ But a company located in London usually had agents or secretaries in Calcutta to carry out the policy laid down by the board of directors. Even as late as 1956, 13 agency houses in Calcutta "controlled over 75 per cent of tea produced in North India". With the development of joint stock companies in India, Indian business houses also began to take an increasing part in the plantation industry. The earliest Indian-owned plantation "is said to date from 1876".

HEREDITARY SERFS

Tea is a labour-intensive industry, but local labour was hard to come by except in the Darjeeling district in the North and Mysore in the South. Tea plantations were opened in underdeveloped areas, jungles and hills. The labour force had to be enticed from the

plains — an inelegant term, pimping, was used to describe this. Pimping was undertaken by the labour contractors who promised the workers high wages and comfortable living. Difficulties on the way during the journey gave the workers an idea of what was to come, but they could not escape and "till the time they reached their destination they were often guarded not unlike prisoners".¹¹ Poverty at home impelled labour to leave their homes and go to the unhealthy tea districts. Many of the recruits had debts to be cleared before they could leave. The planters through their agents, the labour contractors, cleared these debts. The debt obligations generally ranged from Rs 50 to Rs 500. In the South another factor operated. The Gowdas and the farmers in Mysore, Malabar and elsewhere had practised advancing money to agricultural labourers who were to work for a definite period and were not entitled to leave their employers until they had paid off the debt. As most of them never succeeded in paying off their debt, they became in practice hereditary serfs. When the planters wanted labour they too had to resort to the same practice and in return got the same terms of service.¹²

Both in the North and in the South whole families came under contract. Their position was that of virtual serfs for the term of the contract. Serfdom was hitched on to the new capitalist system of production. If they ran away they could be arrested¹³ and brought back and imprisoned for refusing to work. "To this legal coercion were added many illegal practices such as flogging."¹⁴ The conditions of the workers were so appalling that the government appointed a commission to study the situation and passed the Act III of 1863. The law completely failed in its purpose and the death rate continued to be high. Between the years 1865-67, the death rate was anything from 140 to 556 per thousand.¹⁵

The labour force was technically engaged by labour contractors, the sirdar in the

North and the maistri in the South, and not by the planter. Every plantation in the South was supplied labour force by several maistries, in return for which they were paid a commission. The maistri had his own labour gang which averaged 20-40 people and he was responsible not only for their "welfare" but also their discipline. No plantation manager, therefore, wanted to put an end to this repressive practice known as the kangani system. It was abolished only in 1951. The agitation to abolish the kangani system came mainly from trade union leaders. Twenty years after the abolition of the system it is still possible to meet the progeny of the maistries who now work as field supervisors, not any longer on the old commission system but on fixed salaries. The mode of payment might have changed and so too the designation, but habits die hard. One can, therefore, appreciate why field supervisors even today are recruited from the old cadre of labour contractors. They do not look very different from the rest of the workers but continue to be management men. The workers, whatever their misery, however appalling their condition, have survived and become habituated to the new, hard way of life.¹⁶

II

The problem today is no longer shortage of labour but surplus labour. The situation of surplus labour is a grave problem for the worker. The managements have manipulated the situation to their advantage and the state machinery has aided them in this. The planters may not openly share this viewpoint; they may even have their little differences with the government; but a few relevant facts need to be mentioned even at the cost of side-tracking the main issue.

Take, for instance, the Indian government's first step, after Independence, to aid the tea planters. It set up a top heavy Tea Board. Although the Tea Board is not a financial institution

it provides financial assistance in the form of loans at a low rate of interest of only 6% per cent.¹⁷ The Reserve Bank has indicated its willingness to extend its facility of concessional credit rates to plantations engaging in exports.¹⁸ But more interesting is the Tea Board's extravagant spending of public money on publicity; and the costs of publicity abroad have to be met in foreign exchange.¹⁹ The overseas propaganda expenditure of the Tea Board in 1955-56 was Rs 53.80 lakhs and by 1966-67 it had risen to Rs 1.17 crores.²⁰ Incidentally, the Tea Board's expenditure on internal propaganda in 1955-56 was Rs 21.47 lakhs and in 1967-68 Rs 6.70 lakhs.²¹ One may also mention that the terms of reference of the plantation enquiry commissions periodically set up by the Government of India are concerned with the profitability of the industry, its marketing and finance but not with welfare of its labour.

To come back to the main issue, in a labour intensive industry the most potent way of reducing the cost of production is by increasing the productivity of labour and simultaneously reducing the labour force. The demand for labour varies seasonally. At the height of the season a large labour force is necessary for picking leaves. Picking cannot wait. Leaves have to be picked at a particular stage of their growth; any delay implied a loss. The managements have resolved this problem of surplus labour without creating any difficulty for themselves. They take advantage of the fact that plantation labour has become residential labour for several generations. The minimum labour force that is necessary in the duller season is registered on the plantation's rolls and made to over-work by fraudulent means — known technically as payment of incentive wages. In the Nilgiris, for instance, when the season picks up, extra labour is drawn from the 'dependants' of the resident labour force. These dependants also live in the 'coolie lines' in the plantations. In other words, the whole labour force is

not assured permanent work all the year round.

Reduction of the labour force in the tea plantations began long ago, but earlier figures are not available. The daily average of 9,80,238 workers in 1958 fell to 7,55,729 in 1968.²² Table 1 shows the pattern and trend of reduction. One does not see any steps being taken by the Labour Ministry to protect labour from retrenchment. On the contrary, the government-appointed enquiry committee has suggested that both government and labour should be willing to face the problem of retrenchment arising from increased productivity.²³ To take one dramatic instance, the labour force was reduced in Assam by 36 per cent in 1954 when the minimum wages Act was applied.²⁴

One wonders why, when plantation labour is organised, the temporary labour and/or the so-called dependants do not militantly agitate for permanent work. The answer to this strange situation was unwittingly given by a junior manager in a plantation. "The permanent workers themselves", he said, "act as a buffer against this situation." This is again achieved through the practice of incentive wages for additional picking beyond the base quota. Any extra hands would reduce one's own earning capacity and earnings which border on the starvation level (this aspect will be dealt with later). In the season the problem of rivalry does not arise as the quantity of leaf to be picked is beyond the capacity of the small permanent labour force. In other words, the additional labour force does not cut into the earning power of the permanent workers.

TECHNIQUES OF EXPLOITATION

The average land under cultivation has increased, but the number of workers employed has decreased (see Table 2). The land-man ratio has increased. The productivity of labour has increased as a result of greater intensity of exploitation of labour. The methods used are greater vigilance and subtle techniques of coercion. Statistics cannot completely reveal the actual methods of exploitation but they do reveal the objective facts of increased productivity of labour. Again, earlier figures are not available, but production per labourer has increased from 468 kg in 1966 to 533 kg in 1968. In Nilgiris production per person was as high as 721 kg in 1968.²⁵ It must be even higher today but statistics are not available. The yield per hectare has also risen from 327 kg in 1885 to 1,221 kg in 1970-71. In

TABLE 2 : PRODUCTIVITY OF LABOUR

Year	Area (hectares)	Production (in thousand kg)	Average Daily No of Workers	Labour Per Hectare	Production Per Hectare (kg)	Production Per Labourer (kg)	Net Profit Per Acre* (Rs)	Retained Profit Per Acre* (Rs)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1885-1889	125,662	41,096	NA	NA	327	NA		
1900-1904	211,745	91,321	NA	NA	432	NA		
1950	312,398	263,753	NA	NA	850	NA	404.73	155.88
1960	330,738	321,077	NA	NA	971	NA	370.40	99.95
1966	345,983	375,983	804,135	2.33	1089	468	385.89	108.73
1968	351,065	402,489	755,729	2.15	1146	533	NA	NA
1970-71 (All India)	NA	NA	NA	NA	1221**	NA	NA	NA
1970-71 (Tamil Nadu only)	NA	NA	NA	NA	1619**	NA	NA	NA

* "The Case for Tea", p 21.

** Planters' Association of Tamil Nadu, Letter No 101 (ii)/11 April 6, p 3.

Source : "Tea Statistics, 1969-70", pp 17, 112, 116.

TABLE 3 : GROSS PROFITS AS PERCENTAGE OF SALES, NET OF REBATE, DISCOUNT, EXCISE AND CESS

	No of Companies	1965-66	1966-67	1967-68
Tea plantation	146	15.9	17.9	17.3
Cotton textiles	276	5.0	6.7	5.5
Engineering	260	12.7	11.5	9.8
Medicines and pharmaceuticals	34	20.0	20.2	18.2
Basic industrial chemicals	57	17.8	19.5	16.2
Cement	16	16.1	18.0	15.6
Minerals	3	38.6	35.4	32.6
Silk and rayon textiles	16	19.8	23.5	22.2

Source : Reserve Bank of India *Bulletin*, quoted in "Tea Statistics, 1969-70", p 138.

Tamil Nadu it is as high as 1,619 kg.²⁶ Only Japan, where it was 1,803 kg in 1969, exceeds this. Tamil Nadu's figures for 1969 are not available for comparison. Even in Kenya where greater exploitation is possible and where a greater degree of modernisation has taken place, the yield per acre was only 1,015 kg per hectare in 1969.

What then are the techniques used by the management to raise the productivity of labour? For the pickers incentive wages and for the male field workers piece work or task work, as it is known in plantation parlance. The task or the specific quantum of work is always decided and set by the management "according to tradition" and it is to be expected that the quantum of work fixed would be to their own rather than to the workers' advantage. The wage boards accept this and the trade unions keep out of it. It is to the immediate advantage of the worker to get his "task work" done as fast as possible, say in 4 or 4½ hours, and then attend to his own work which supplements

his meagre daily wages. One can now appreciate a senior manager who said that the management can do nothing if the workers choose to "go slow". This is because they generally do not. If the workers do, it would cut into their income and they would miss the only possibility of earning a little more to supplement their meagre wages. But the less sophisticated junior managers give the game away. They admit that the practice of "go slow" is rare, but if the workers choose to indulge in it a strict watch is kept on the "trouble-maker" and he is made conscious that he is being watched. He must take care not to trip. If he does, even the most trivial lapse, which would be normally ignored, is made an issue. For instance, a "watched" man cannot afford to arrive late for his work even by five minutes. If he does he is sent home. This implies loss of a day's wage for the worker. The more "difficult" workers are in for rougher treatment — they are charge-sheeted.

These coercive techniques apart, the

TABLE 1 : TOTAL NUMBER OF LABOUR AS ON 31ST DECEMBER OF THE YEAR

State	Resident		Outside		No of Bonafide Dependents of Resident Workers on Roll	
			Permanent	Temporary		
	1966	1968	1966	1968	1966	1968
N India	616,442	568,054	43,833	37,014	53,299	58,155
S India	172,886	172,548	2,362	5,042	15,338	15,885
Nilgiris	49,250	49,266	947	1,439	4,698	5,608
All India	789,328	740,602	46,195	42,056	68,637	74,040
					792,632	1,072,410

Source : "Tea Statistics", 1969-70, pp 110, 111.

very fact that there is readily available surplus labour in the estate hangs as a constant threat to the security of employment of even the permanent worker. Still another junior manager confirmed how this factor operates. He agreed that there was very little labour trouble and few attempts by workers to lower productivity. If there was, the management planned a "counter trick to teach them a lesson". To quote one instance, the management brought men from another division and put them to work in an area contiguous to the troubled one and demonstrated that the quantum of work put in by the new group was four times that of the old. The manager claimed: "the confused workers learn their lessons soon and begin to behave themselves".

III

The second method of manipulation and raising the productivity of labour is through the modes of payment of wages which continue to be the most primitive — daily wages, piece rate, wage differentials based on age and sex, no scales of pay and no increments. What is particularly interesting is that certain primitive practices are very consciously cultivated, such as, for instance, that of the manager himself, and not a clerk or an accountant, doling out the pay. The personal touch is intended to build up a single directional sentiment of loyalty. The results are dramatic. Consider the local practice in a plantation: during a religious festival of the workers, the manager, a mere invitee according to our version, is garlanded first and only then the god. The workers have arrived at the conclusion that their livelihood, their very survival, depends on the manager and only in a more remote sense on god. Portraits of the gods are, however, still displayed prominently. The management does not permit them to be discarded, for the gods are its passive allies.

To return to the main issue, wages used to be arbitrarily determined by the management, since the indentured labour had little capacity to revolt. After Independence wages have been determined by government-appointed wage boards, but one is not sure whether wage determination is less arbitrary than it used to be. The wage boards prescribe the primitive minimum wage, which in practice falls short of the subsistence level given the continuous inflationary trend.

In the case of male labour, minimum wages are generally related to tasks and "tasks are decided by the management

TABLE 4: GROSS PROFITS AS PERCENTAGE OF TOTAL CAPITAL EMPLOYED

	No of Companies	1965-66	1966-67	1967-68
Tea plantation	146	8.9	9.8	9.8
Cotton textiles	276	5.3	7.4	6.0
Engineering	260	11.5	9.4	7.7
Medicines and pharmaceuticals	34	18.6	18.2	15.9
Basic industrial chemicals	57	10.8	11.4	8.8
Cement	16	10.8	14.0	11.1
Minerals	3	11.1	11.6	11.1
Silk and rayon textiles	16	17.4	21.0	18.6

Source: Reserve Bank of India *Bulletin*, quoted in "Tea Statistics 1969-70", p 137.

TABLE 5: TOTAL DIVIDENDS AS PERCENTAGE OF TOTAL PAID-UP CAPITAL

	No of Companies	1965-66	1966-67	1967-68
Tea plantation	146	10.5	10.6	10.1
Cotton textiles	276	8.4	8.0	7.1
Engineering	260	8.9	7.6	6.5
Medicines and pharmaceuticals	34	18.2	16.2	17.3
Basic industrial chemicals	57	8.4	8.3	7.9
Cement	16	10.4	10.0	10.4
Minerals	3	20.0	28.0	33.9
Silk and rayon textiles	16	11.5	11.2	12.2

Source: "Tea Statistics, 1969-70", p 141.

according to custom, and where customs have changed in consultation with labour". It is necessary to remember that these customs were colonial customs, under which the management-labour relations were frankly repressive. "Customs" could be changed by organising labour but unfortunately the trade unions have not made much headway in exerting pressure on the wage boards. The arguments of the wage board are interesting. It does not interfere with task rates as this is likely to create difficulties for the garden managements.²⁸ In other words, the wage boards continue to ignore even the basic needs of labour. After 20 years, they have still not taken note of the view of the chairman of the Tea Association who found the "system of plucking rates not only unsatisfactory but also unfair".²⁹ The Plantation Enquiry Committee had suggested³⁰ that the system of plucking rates "should be fixed in such a way that it enables a worker to earn at least a minimum wage for a normal working day" and that "it should be higher in cold season or for bushes recently pruned when the quantity of leaf is small" and, finally, that "the rate should be equal for men, women and adolescents".

The minimum daily rates now fixed by the wage boards indicate how ill paid is the labour in the country's oldest industry, although the industry's gross profits as percentage of sales com-

pare well with those of the most advanced industries like pharmaceuticals and engineering (Tables 3, 4 and 5). But wages lag far behind those in these industries (Table 6). The figures for 1969-70, the latest available, show the regional variations. In the North the highest payment is in the Assam valley, Rs 2.58 for men, Rs 2.40 for women and Rs 1.25 for children. The lowest payments are in Garhwal district (UP) where there is a flat rate of Rs 1.20. In the famous Darjeeling district in West Bengal, the rate is midway at Rs 2.07 for men Rs 1.96 for women and Rs 1.11 for children. In South India the rates are a shade higher. The highest are in the larger estates of Nilgiris, where it is Rs 3.00 for men, Rs 2.45 for women, Rs 1.89 for adolescents and Rs 1.62 for children. Wage rates are lower in Kerala and Mysore. All the three states have incentive rates for plucking. Again this is the highest in the Nilgiris, 9 paise per kg above the minimum base output of 10 kg.

WAGE DIFFERENTIALS

The wage boards, apart from calculating wages at the minimum rate, continue to prescribe wage differentials. From the management's point of view wage differentials are useful for two reasons. First, it means a saving in the total wage bill. Second, it divides the labour and prevents the growth of a labour movement.

The saving in the wage bill occurs

TABLE 6: PER CAPITA ANNUAL MONEY EARNINGS OF WORKERS IN MANUFACTURING INDUSTRIES IN 1969

	(in Rupees)
Cotton mills	2,694
Silk mills	2,251
Fine and pharmaceutical chemicals	2,648
Chemicals and chemical products	2,614
Cement	3,136
Products of petroleum and coal	3,551
Basic metal industries	2,984
Tea*	960

Source: "Indian Labour Statistics, 1971", p 57.

* No worked out average is provided by the "Indian Labour Statistics". In the highest paid district the male worker was paid Rs 3 a day for work in the garden and Rs 3.20 for work in the factory in 1970.

because the number of women workers exceeds that of men and plantations continue even today to engage substantial number of adolescents and children who are paid less than the minimum wages paid to men.³¹ In the early years of the plantation industry, wage differentials were understandable. Men were put to the hard tasks of cutting and clearing forests. The wages used to be a mere Rs 2-5 per month.³² In order to make up for the low wages the worker was permitted to cultivate small patches of land either within the plantation which was not brought under tea or encroached land on the periphery of the tea plantation, which involved no monetary loss for the planter. On the contrary the patch of land cleared free was a gain. This practice still continues. Also, workers were enticed into plantations not as individuals but as families, mainly from the scheduled castes and tribes. Women and children joined in the clearing work doing lighter jobs and so were paid proportionately lower wages. But once a plantation begins to bear tea leaves, say in four years, at that stage, as the Plantation Enquiry Commission states, the major part of the success of the industry depends upon plucking. This operation involves two-thirds of the working days and the tea pluckers are always women. But women continue to be paid wages that are lower than those paid to men. They can neither protest nor escape. The law and the police were frankly on the side of the planters and the unorganised labour had no bargaining power. The custom of wage differentials established under these conditions has been continued by the government-appointed wage boards, in spite of the warning given by the Plantation Enquiry Com-

mission. The Commission states: "Owing to wage differentials between men and women, the latter though more efficient in plucking, also get a less wage".³³

Plantation labour remained practically unorganised till the end of the Second War. The planters, on the other hand, shrewdly formed associations to consolidate their rights; this was done also partly in anticipation of the birth and development of labour movements which were to grow with the slow growth of political consciousness in India.³⁴ However, in South India a single association of the middle level staff and white collar workers was formed in 1929. One of the office bearers of the association frankly admitted that recently it had broken a strike of workers. Not only does it have no common interest with labour, it actually collaborates with the planters. Even its office was situated in the premises of the planters' association till 1954.³⁵ Now that labour is organised one may ask what the trade unions are doing for their members? In certain regions labour has become conscious and militant, but in others, especially in the remote areas which are isolated by distance from centres of trade union activity, it is still very docile. These regions are the planters' haven. What is surprising is that the trade unions are unaware of the intensity of exploitation practised by the so-called incentive wage system. Their efforts to improve the workers' lot are all made within this system of wage payments. For instance, in Nilgiris in March 1972 a joint action council of six unions was formed to fight for higher incentive rates.

INCENTIVE WAGE SYSTEM

The incentive wage system raises the productivity of the worker and provides a saving on the wage bill and is, therefore, a straight gain for the management at the expense of the worker. Consider the working practice in Nilgiris. The men are assigned task work which is completed by noon, viz, 12 or 12.30. The work assigned for women is plucking of tea leaves. The statutory hours of duty are 8 a.m. to 5.30 p.m. with one and a half hours' break for lunch. A woman is expected to pick 10 kg of leaves whatever the condition of the bush, whichever the season. But wages are so meagre that they force themselves to work more to earn the incentive wage. By an intense effort a woman worker can pick as much as 30 kg. Some can even pick as much as 40 kg. In order to earn the extra money the women cut short their lunch

break by one hour. The extra earning appears to be a reward for the work put in. In fact, the reward is plainly for the management.

The management frankly admits that it has introduced incentive rates to cut the cost of production and even demanded that government should give them greater freedom to discipline their workers.³⁶ But the unions do not seem to understand this strategy. But picking 30 kg of leaves in one day instead of 10 kg — the standard set by the wage board in consultation with the management — the worker puts in three days of work in a single day, but gets 1.7 days' wages instead of three days' wages. An extra efficient worker who picks 40 kg of leaf in a day puts in 4 days' of work in a day and in return is paid a little more than 2 days' wages. In other words the management saves nearly half the wage bill on female labour. Or, in other words, a female worker is paid half the so-called minimum wage determined by the wage board. Large industries in urban areas also pay overtime rates, but the rate of payment for overtime is often double the normal time rate. By playing with words and by substituting the word *incentive* for overtime, or rather *over-work*, the management, with the aid of the government wage boards, cleverly exploits the worker and appropriates the surplus value to itself. Industries which make profits are expected to pay bonus to workers. In one of the largest tea plantations in the South, last year's bonus was divided according to a strange pattern. The management staff (a tiny cadre) was given 3 months' salary as bonus, the middle level workers 2 months' salary and the workers only one month's wages.

If incentive wage is a double gain to the management, it is a triple loss to the worker: (1) her actual wages are cut; (2) physically she exhausts herself which tells on her health and she is also compelled to neglect her home and family; and (3) it hampers the growth of the labour movement. On paper a woman need not work for more than 8 hours nor pick more than 10 kg of tea leaves. But other subtle factors operate which compel her to work: (1) Low wages and the continuous rise in the cost of living force her to earn as much as she can. (2) Pickers are rigorously supervised. As one picker said, it was an unknown for them to stop to talk to a visitor. A supervisor hovers around and swoops down on anyone who takes her hands away from the tea bush. (3) Victimisation of 'laggards' is not unknown.

The incentive payment system is positively detrimental to the worker, even if the worker chooses to do extra work so on her own without "external compulsion". The hours of work are lengthened beyond what may be regarded as tolerable. The gardens are located in the rain belt and many of them are on hill slopes. The workers are, therefore, constantly "exposed" to the cold wind and rain and the most frequent complaint is that the cold chills them to the marrow. This was confirmed by a resident doctor in one of the more enlightened plantations. According to him, lung disease is one of the commonest ailments in the plantations. He put this down to malnutrition and exposure. Intestinal disease, due to unhygienic conditions, is another common ailment.³⁷

THE PICKER'S LONG DAY

The picker's day is a long one. She has to finish her household chores long before 8 a.m. when the plantation work begins. She rushes in at noon for a brief half an hour to feed herself and her family and rushes back to work to earn the extra money which is a mere pittance. Back home in the evening, exhausted from over-work, she cooks for the family. Besides the three major ailments mentioned above, the pickers also suffer from headaches as a result of carrying heavy baskets. Although the basket is carried on the back, it is supported by a thick strap on the forehead. The workers' hands are stained, bruised and gnarled as a result of continuous picking of tea leaves throughout the day in all seasons from rough tea bushes. Picking is difficult and slow in bushes that are not well tended. Many of the gardens which have come under Indian ownership are careless about the maintenance of the bushes,³⁸ which incidentally also results in the quality of the tea going down. The worker thus suffers for the owners' negligence. This is ignored by those who suggest that the government, the industry and the unions should undertake joint action and agree to a wage freeze to facilitate replanting in the interest of the healthy growth of the tea industry.³⁹

The present mode of wage payments is disastrous to the labour movement. The low wages combined with payment of incentive wages splits labour between the permanent workers and the vast ranks of the unemployed who are engaged as temporary labour. While the resident unemployed become the safety valve to provide a continuous supply of labour for the benefit of the industry, the monetary needs of

the permanent worker act as a buffer to counter the temporary workers' demand for permanency of employment. The maintenance of wage differentials cuts in another direction also. It splits labour on the basis of sex. Productivity of a woman worker in a tea plantation is higher and therefore she is legitimately entitled to not only equal but higher wages than a man. But since the inception of the industry men have been paid higher wages than women.

Incidentally, the fact that the worker is permitted to cultivate tiny plots of land must not be considered as a non-wage benefit accruing to him. The plantation worker has no security of tenure; on the contrary, the land given to him to cultivate can be used as a lever to coerce him. The area under such cultivation is progressively increasing and so too are the number of workers in the estates — employed and unemployed. There is no reason why the government cannot reclaim the encroached land any time and if it does it would be no concern of the management's. So the "task work" practice is not necessarily a permanent gain for labour. But it is for the management, for the worker gets the feeling that he is being paid "full" wage for just four hours of work and is also being permitted to cultivate his "own" land.

MYTH OF NON-WAGE BENEFITS

The management may also argue that low wages are compensated for by such useful non-wage benefits as free housing, free land for cultivation, free school for children, creches for infants, free hospital service and free fire-wood. Each of the above listed items can be examined very briefly to find out whether the labour force really 'benefits' from these free services and whether they can be considered non-wage benefits.

Free housing is now a statutory obligation. In plantation vocabulary, the cluster of houses where workers live is even today referred to as a 'coolie line'. It is an apt description. The workers' houses are monotonous, barrack-like, tiny one-room kitchen tenements, often smoke-filled, with a common tap and a common trench lavatory for every 'line'. Houses are not provided with bathrooms. They are over-crowded with an average of ten persons to a tenement. The workers constantly complain of over-crowding, but the management has a different version. The management claims that the older workers plead that their adult sons should not be allotted separate houses as it divides their income and reduces their

future security. The present writer heard an old man pleading for a separate house for his adult son and the manager immediately promised the worker that he would look into the matter. The explanation given by the manager later was that adult workers in a family ask for separate houses but want to live in the same 'line' — which the management thinks is an unreasonable request. The 'lines' are dotted all over the estate, a fair distance from each other. Official reports show that by and large the planters have stinted on the expenditure on statutory house-building activity.⁴⁰ So far no action has been taken by the government against defaulting planters.

It has been shown already that the so-called free land given for cultivation is not free and that this is merely a cunning device to keep wages low.

A free elementary school within an estate is also a statutory obligation. But the schools within the estate, like village schools all over India, are a total failure. The management's belief that free food in the schools would entice the children or at least induce parents to send their children to school is not borne out by facts. There are other factors which prevent the children from attending school. An explanation given by one worker seems plausible. This worker is classed as very intelligent by the management and also appeared very conscious of the need to educate his children. His explanation was that his oldest son, a boy of twelve, could not be sent to school that year as he had to look after a baby and two younger children. The mother, a tea plucker, is away from home the whole day. This son would be sent to school the next year, he said, when the second child would take his turn at looking after the kids. The creches are empty except for the *ayaks* in charge. This observation is confirmed by Griffith.⁴¹ The parents' version is that the babies are not well looked after in the creches, yet they leave them behind at home with only an older child. One can now appreciate the workers' simple demand to have homes in the same lines, so that they can pool their manpower resources in the matter of looking after young children when the parents are away at work.

The older children also saddled with such other work as collection of fire-wood. The management's claim that they supply free fire-wood only means that they connive with the workers in robbing fire-wood from government forests. This at any rate is the workers' version. Now and again the shade trees in the estates are cut down and periodically the

tea bushes are pruned and workers are permitted to make use of the wood. The management, of course, gets large quantities of free dry fire-wood. The fires burning in the fire-places of the managers' bungalow on a chilly evening make cosy pictures, but wet fire-wood burning in the chimney-less houses of workers quickly drives someone unaccustomed to smoke out of the house. This no doubt contributes to the high incidence of lung ailments among plantation workers.

Hospital services appeared satisfactory in the large estate visited by the present writer. One does not know how they are in the smaller gardens. A government report points to the general inadequacy of hospital services.⁴²

This, then, is the bleak picture of the so-called non-wage benefits offered to workers, though the managements' constant refrain is that they are a drain on their resources for which they get nothing in return.⁴³ The management is indifferent about the workers' comforts. For instance, even in Nilgiris the 'coolie lines' are not electrified. Ironically, the major hydro-electric power station, Pykara, is in Nilgiris district and the DMK government boasts that every village in Tamil Nadu has been electrified.

The major part of the money shown as being spent on providing fringe benefits goes to the small management cadre. Not even the largest plantation has more than four or five *covenanted* officers. The benefits accruing to them include free-housing (often furnished), electricity, a car and an annual holiday at home. Some benefits go to the white collar workers. For instance, the middle level workers in the plantations in the South have recently fought for transport expenses for their annual holiday. Nothing much is thus left for the workers. The same pattern of distribution of the money supposedly spent on providing non-wage benefits to workers is not unknown in other manufacturing industries.⁴⁴

A very conspicuous non-wage benefit, it needs to be mentioned, is the temple-building activity in the plantations. In a single plantation of about 1,000 acres, for instance, there are more than two dozen tiny shrines of local deities and sprits to be propitiated. As these are built by the management, the gods in all fairness favour them and neglect the working class — as does the State.

IV

The final aspect to be considered is the relationship between effort and re-

ward. It is fashionable to relate wages to productivity, but to be fair one must compare the wages of labour with the profits of the proprietor, the dividends of the shareholder, the commission of the managing agents and the salaries of the managers and see whether they are all commensurate with the effort put in. No attempt will be made here to find a direct correlation between effort and reward, for productivity is the outcome of a complex relationship between various factors — man, money, machines, markets and management. Here it is only possible to find out, very broadly, how much each factor contributes to productivity and whether the present pattern of effort and reward is fair or unfair.

Man: The labour power of man is the most important factor of production in a labour-intensive industry. However, labour's contribution to productivity will be considered last as it is the major concern of this paper.

Money: As indicated earlier, the initial investment in tea plantations was very small, for land grants were made by government at prices which were only little more than nominal and wages were as low as Rs 2 to Rs 5 per month. Yet most of the proprietors, unable to cope with the problems of management of the plantations, handed them over to managing agents. In other words, investments were small and effort nil. Yet they appropriated the profits which were as high as 9 per cent even in the initial period.⁴⁵ They are even higher today, in spite of the taxes, excise duty, etc (see Tables 3, 4 and 5). Griffith reports that dividends in the first five years amounted to 5 per cent, 11 per cent, 13 per cent, 36 per cent and 39 per cent, respectively.⁴⁶

Machinery: By its very nature the tea industry is a labour intensive industry. The factories can be modernised to increase productivity, as some of the automated but practically unused green tea factories in the South have been.⁴⁷ Most of the factories, however, are still primitive. Capital investment has been small even in recent years. The use of machinery has thus not raised productivity very much. The bulk of the work is in the garden — tending bushes and plucking leaves — and the rewards should go to those who put in the effort.

Markets: Market conditions have their influence on production patterns rather than on productivity directly. Markets are therefore not our main concern and have no place in our calculation of effort and reward, but are referred to here because of the role they play in the pattern of tea production

in India. The tea market is not a free market,⁴⁸ but is controlled by a handful of British tea brokers who operate from London. As a consequence, production of tea fluctuates according to the rise and fall of tea prices at the London auction.⁴⁹ The fact that auction houses have been set up in Calcutta, Cochin and Coonoor does not mean that the stranglehold of the British tea brokers has been loosened. The most powerful brokers in the Indian auction are still the British. Nor has the entry of Russia as a buyer of Indian tea radically changed the picture.

"In India the selling brokers perform some additional functions". They pay "freight charges in advance, undertake quota transactions and assist in financing tea production, particularly of small Indian producers against hypothecation of crops".⁵⁰ Apart from this stranglehold of the brokers there is another aspect to be considered. The government is particularly interested in the foreign market for tea because tea is one of the biggest foreign exchange earners for India. The Indian government, therefore, aids planters with financial and other assistance to develop the industry and offers various incentives and a tax rebate on exports of tea. The government, however, ignores the fact that the profits of the dominant sterling companies are drained out of the country. What is more significant for our present discussion is that there has been a sharp decline in the volume of tea export, in spite of the incentives. For instance, it has fallen from 213.7 million kg in 1967 to 168.7 million kg in 1969,⁵¹ though in 1971 it rose to 212.63 million kg.⁵² The production of tea is, however, on the increase and the export market is being substituted for by the Indian market. This is largely because the producers took the decision to exploit the potentially profitable Indian market and "changed their production pattern to suit the Calcutta Market". This happened immediately after the fall in prices in London in 1968. As long as profits are untouched does earning of foreign exchange matter to the producers?⁵³

DISPROPORTIONATE REWARD FOR MANAGEMENT

Management: Production and productivity are directly related to the degree of efficiency of management. The efficiency may be due to either the application of scientific principles to management or various extraneous factors. In the early history of plantations, extraneous factors played a dominant role. As pointed out earlier,

the law and the police were then on the side of the management. They still are, but in a less blatant way. In the first days, a single European manager controlled a thousand workers or a thousand-acre plantation. The ratio has now risen to about 4. What is interesting is that a commission used to be paid to the managers. In the early fifties, for instance, the non-Indian companies paid Rs 3 to Rs 4 for every 100 lbs of tea.⁵⁵ Compared to this payment to the managers, the incentive payment that a tea plucker would get today, 20 years later, for picking 100 lbs of tea is only Rs 4.15 in the highest paid district, viz, Nilgiri. These are the persons who actually put in the effort to raise productivity, perhaps not voluntarily but out of sheer necessity. The management's role in raising productivity consists of devising and using various deceptive techniques to make the worker put in greater effort. Even the Plantation Enquiry Committee pointed out that "high managerial overheads are not necessary for high productivity."⁵⁶ But the wage differentials continue to be as high as 1:50 or even more. The Committee also complained that the "commission to the managing agents is one of the items which increase the cost". Besides the various types of commission, the agents draw a fixed office allowance which now ranges beyond Rs 2,500 per month.⁵⁷ If rewards are related to effort, then one must also take note of the fact that the management draws payment from multiple sources, whereas the worker is paid only his wages.

As indicated earlier, in spite of the bonus Act, the workers' share in the bonus falls far short of what the management gets. And the non-wage benefits are also weighted heavily in favour of the management.

In a labour intensive industry, the wage bill should be the major component of total costs. But in the tea industry it is not so. No recent data are available, but earlier figures give an indication of the situation which has not changed. For instance, in 1953 the wage cost was only 32.5 per cent and 35 per cent of the total cost in North and South India, respectively. It must also be noted that plucking — which is a woman's job — constitutes two-thirds of the total number of mandays. Yet its share was only 15.6 per cent of the total cost in 1953.

The necessary statistical data are not available to compute the productivity of labour and relate it to wages. Some

recent figures do show an increase in the productivity of labour. For instance, the labour productivity has risen from 468 kg per person in 1966 to 533 kg per person in 1968. There are sufficient data to show that this trend was a continuous one from the earliest times.⁵⁸ It has been shown earlier that instead of rewarding the worker for increasing productivity, the management in practice pays him less through the system of the incentive wage and the piece wage. Neither the trade unions nor the wage boards protect the workers.

Our analysis shows that in the tea plantations (as elsewhere) the interests of the proprietors and the managerial class which serves them runs counter to those of the working class. The state is not an impartial arbitrator, but aids the former class by various legislative enactments and with statutory bodies, such as the wage boards, the Tea Board, the periodic plantation enquiry commissions and finance commissions.

True, there is some welfare legislation but it is not backed by sanctions to compel defaulters to fulfil their statutory obligations. One is, therefore, compelled to conclude that in a mixed economy workers cannot expect justice; only some concession under pressure, but no more. A total structural change is the only way for workers to get a fair deal. Workers themselves, as a class, along with the other exploited categories, must organise to bring about this transformation.

Notes

- 1 The fact that export of tea to Russia is on the increase and to Britain on the decrease must not distract one from this basic fact.
- 2 The trend of Indianisation has not stemmed the tide of the drain. This is either because the British owners refused rupee currency for sale transaction or because the Indians who have foreign currency reserves abroad prefer to maintain the plan-

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- tations as sterling companies. After all, reserves in an international currency are useful for an international businessman, whatever his nationality.
- 3 Factories were transplanted in India only half a century later.
- 4 D H Buchanan, "Development of Capitalist Enterprise in India", p 37.
- 5 J Berry White, "Journal of Social Arts", June 10, 1877, p 734 quoted in Buchanan, *op cit*, p 54.
- 6 D R Gadgil, "Industrial Evolution of India in Recent Times", p 48.
- 7 Census of India 1961, Vol I, Part VII-A, p 3.
- 8 Buchanan, *op cit*, p 57. Gadgil, *op cit*, p 48 writes "A rush of applications followed and an orgy of speculation ensued."
- 9 Relatively more British capital was invested in tea than in indigo in the period between 1888-1910. Some of these sterling companies today have interests in tea plantations not only in India but also in other countries, especially E Africa. This development started after the Second World War.
- 10 Report of Plantation Enquiry Commission, 1956, Part I, pp 23, 25.
- 11 J W Edgar, Report on Tea Cultivation in Bengal, *Parliamentary Papers*, 1874, Vol XLVIII, ed 982, p 20. Quoted in Buchanan, *op cit*, p 61.
- 12 P Griffiths, "The History of Indian Tea Industry", p 397.
- 13 Edgar, *op cit*, p 21 (1873). Quoted in Gadgil, *op cit*, p 50.
- 14 Gadgil, *op cit*, p 50. In the North powers were given to the planter by the Act of 1865 to arrest runaway coolies. In the South too a similar act was passed but only in 1903. It is interesting to note that when the planters made a personal representation to the Viceroy in 1896 during his tour in Madras, he turned down their demand on the ground that it was "opposed to the whole spirit of legislation". But an Inquiry Committee was set up immediately in 1896. Hence the delay in passing the legislation, which turned out to be favourable to the planter. Griffiths, *op cit*, p 399.
- 15 *Ibid*, p 351.
- 16 They speak nostalgically of their home towns but links with them are becoming weaker as there is no possibility of finding employment in them.
- 17 Reserve Bank of India, Report of the Working Group on Finance for Tea Industry, 1971-72, pp 25, 28, 29, February 1972.
- 18 *Ibid*, p 17.
- 19 "The Case for Tea", UPASI, p 83.
- 20 *Ibid*, p 75.
- 21 *Ibid*, p 78.
- 22 *Tea Statistics*, 1969-70, p 92.
- 23 Report of the Plantation Enquiry Commission, 1956, Part I, p 110. The objectives of this and other such enquiry commissions are to develop and expand the industry.

- In their terms of reference no concern is shown for labour. *Ibid*, p 1. *Ibid*, p 110.
- 25 *Tea Statistics*, 1969-70, p 116.
- 26 Planters Association of Tamil Nadu, Letter No 101(ii)/111/3.
- 27 Report of the Plantation Enquiry Commission, 1956, pp 106, 107.
- 28 Report of the Plantation Enquiry Committee, 1956, Part I, pp 121, 698.
- 29 *Ibid*, p 124.
- 30 *Ibid*, p 124.
- 31 According to the latest available data for 1968, the number of male workers were 3,42,000, of female workers 3,55,000, adolescent workers 24,000 and children 34,500. *Tea Statistics*, 1969-70, p 110. Buchanan, *op cit*, 59.
- 32 Plantation Enquiry Commission, Part I, 1956, p 669.
- 34 Griffiths for instance writes "Labour Unions in the South Indian tea districts are of comparatively recent growth, and it is remarkable that the United Planters Association had the foresight to lay down conditions of recognition several years (in 1939) before unions were in fact formed". Griffiths, *op cit*, p 407.
- 35 Griffiths, *op cit*, p 407.
- 36 "The Case for Tea", p 26.
- 37 Report of the Plantation Enquiry Commission, p 115.
- 38 *Ibid*, p 247.
- 39 B C Biyani, *Economic Times*, May 4, 1972, p 3.
- 40 Census of India 1961, Vol I, Part VII-a, p 25. Also listed are a number of defects in the new constructions and the consequences of such defects.
- 41 Griffiths, *op cit*, p 372.
- 42 Census of India, 1961, Vol I, Part VIIa, pp 23, 24.
- 43 "The Case for Tea", p 29.
- 44 A R Desai and Madhuri Seth "Non-Wage Benefits in Indian Industry", RPC Report, (unpublished).
- 45 Buchanan, *op cit*.
- 46 Griffiths, *op cit*, p 75. In the mid-

- dle years the profits reached fantastic heights. For instance, in 1954 the Indian Rupee companies earned as much as 46.7 per cent and sterling companies 29 per cent of capital employed. Report of Plantation Enquiry Commission, 1956, Part I, pp 201, 202.
- 47 These are sometimes a product of Indo-Japanese collaboration. The factories are not put to full use as the tea leaves are found to be unsuitable for production of green tea.
- 48 Himanshu Roy, "Tea Price Stabilisation", p 41.
- 49 *Ibid*, p 160.
- 50 *Ibid*, p 37.
- 51 *Tea Statistics*, 1969-70, p vi. One must note that the export of tea under bilateral agreement has risen from 40,588 kg in 1960-62 to 75,198 kg in 1969. *Ibid*, p vii.
- 52 Reserve Bank of India, Report of the Working Group on Finance of Industry, 1972, p 7.
- 53 British planters can still cater to the London market as they had begun to invest in tea plantations in Kenya after the Second World War.
- 54 Plantation Enquiry Commission, Part I, 1956, p 243.
- 55 The rate was about half in the Indian companies.
- 56 *Ibid*, p 243. This attack was evidently made because of the discrimination in the payment of salaries between British and Indian managers. The nationalist pride of the commission was hurt.
- 57 *Ibid*, p 252. The managing agents draw commission on profits and/or gross sales of the product and for various other services such as, for instance, stores purchased, recruitment of labour, shipment of tea, etc.
- 58 *Ibid*, pp 98, 99.
- 59 The area under tea has increased threefold from 1885 to 1968 whereas production has increased tenfold and the labour force has decreased. See Table 2.

SUBSCRIPTION RATES

	Inland	Foreign (surface mail)
6 months	Rs 40	
1 year	Rs 75	Rs 110
2 years	Rs 140	Rs 210
3 years	Rs 200	Rs 305

Concessional Rates for Teachers and Students

6 months	Rs 18
1 year	Rs 35
2 years	Rs 60
3 years	Rs 80

Concessional rates are not applicable to students and teachers outside India

Separatist Movement in Andhra Pradesh

Shadow and Substance

G Parthasarathy

K V Ramana

G Dasaradha Rama Rao

The facts relating to employment show beyond doubt that only a small fraction of the people of Andhra Pradesh, that is, those who are in or seek state government employment, have a stake in the operation of the mulki rules or otherwise. It is this section which has successfully managed to give the appearance of having a wide social interest to a movement which obviously represents the sectional interest of a small group.

In the course of the fight for the competing claims of the petty bourgeois of the two regions of Andhra Pradesh the wider interests of the state and the nation are being forgotten. The preservation of the integrity of Andhra Pradesh calls for the burden caused by the mulki rules to be shared by the country as a whole. The cost in terms of loss of jobs to the people of the Andhra region, due to the implementation of the mulki rules, cannot number more than 2,000 per annum and the financial costs of off-setting this loss would roughly amount to a maximum of two crores of rupees per annum. Over a five-year period the burden of the Government of India would be Rs 10 crores and this is very little for the Centre to bear in relation to the gains of an integrated Andhra Pradesh for the country. The petty bourgeois in Telengana should be told unequivocally that at the end of this period, they will not be entitled to the privileges which are not conferred on other backward regions. A dialogue, on this basis, between the leaders of both the regions under the auspices of the Central leaders could contribute to the restoration of normalcy in Andhra Pradesh.

THE agitation for a separate Andhra state is now sweeping over the entire Andhra region paralysing administration and disrupting civil life. The association with this agitation of people drawn from varied professions and with different political creeds gives it the semblance of being all pervasive. The bankruptcy of the political leadership in authority, lack of any sustained and able effort to explain the need to compromise for larger ends, and the absence of a strong leadership with the capacity to persuade and the ability to hold divergent sections together in the interests of long cherished values — these have provided free ground for the agitation getting the appearance of being socially purposive. The threat of force implied by the presence of the Central Reserve Police has made the separatists into heroes of a great cause and the involvement of wider sections of the community has given the agitation a momentum which dons the garb of a liberation struggle.

The roots of the agitation could be traced to growing unemployment and unrest among those who seek jobs in the organised sector. In fact both the protagonists and the antagonists of mulki rules have stakes in the limited job opportunities available in the organised sector. The organised sector — which includes the central government,

state government, quasi-government, local bodies and private sector groups employing ten or more persons — accounts for only a small fraction of the total labour in the state. When the states in India are ranked by the proportion of workers in the organised sector to total workers, Andhra Pradesh holds the last but one rank with only 5.28 per cent (see Table 1). The adverse or favourable influence of mulki rules has direct and immediate effect not even on this small fraction, but only on a part of it, i.e., those employed in state government service.

In Andhra Pradesh employment in the organised sector is negligible and within the organised sector, employment in the private sector forms only a minor proportion. When the percentage of employment in the private sector is ranked, Andhra Pradesh gets the tenth rank with 29.95 per cent (see Table 2). The low proportion of employment in the private sector leads to a scramble for scarce jobs in the public sector. The issue of mulki rules is, therefore, of genuine concern to job seekers in the public sector from both the regions.

But it is known that the application of mulki rules is limited only to state government jobs and even among them only to certain categories. Therefore, it is relevant to consider the magnitude of workers likely to be either favourably

or adversely affected by the operation of mulki rules by focusing attention on the proportion of workers employed in the state government to total workers. Whichever way we look at the figures, employment in the state government forms only a small proportion of the total. Even as a proportion of employment in the public sector the number of state government jobs forms roughly one-third of the total. In the organised sector as a whole, employment in the state government forms only one-fourth. The insignificance of state government jobs in relation to the total employment situation is sharply brought out when employees of the state government are looked on as a proportion of total workers. Only 1.25 per cent of the total workers are state government employees and even within this category not all will be affected either favourably or adversely by the operation of mulki rules (see Table 3).

The facts relating to employment show beyond doubt that only a small fraction of society, i.e., those who are in state government employment, have a stake in the operation of mulki rules or otherwise and this section has successfully managed to give the appearance of having a wide social interest to what is obviously a sectional interest of small groups.

The objective circumstances that

contributed to this metamorphosis need to be understood in proper perspective. It is not without a valid material base that student bodies both in Andhra and in Telengana were found to take the lead in agitations for or against the mulki rules, finally culminating in the separatist movement. Employment in the private sector is not only small but has not been growing. It is to employment in the public sector to which the educated look. The employment exchange data, with all their defects, indicate the deteriorating employment situation. While the applicants on the live registers have more than doubled between 1960 and 1970, the placements have hardly increased by 24 per cent and the position of placements has worsened particularly since 1967. Since then there has been a continuous deterioration in the position of placements with only minor relief in 1970. The axe of unemployment fell very heavily on engineering graduates. The agriculture graduates continued to suffer for want of jobs despite the need for agricultural development. The medicos whose position has not been so bad in the earlier years are beginning to feel the burdens of unemployment. The arts and science graduates who are not so vocal as the engineering graduates have been facing serious unemployment for quite some time. The spectre of unemployment haunts the current student community and the scramble for jobs results in agitations which have no relation to the root cause of the trouble. This scramble increases with the growing out-turn of the educated. Backward regions which had lagged behind in education in the past now show high rates of growth, particularly in respect of graduates and post-graduates. This was exactly the position in Telengana and the out-turn of graduates and post-graduates exceeded that of Andhra between 1960 and 1970. The pangs are not those of stagnation but those of imbalanced growth. The graduates of Telengana find themselves entering into the job market in large numbers in a period when job market opportunities are shrinking and seek to protect the limited job opportunities available in their region from encroachment by others who, in their opinion, have had an edge over them in the past both in education and in the job market. The educated in the Andhra region who find themselves shut out due to peculiar legal safeguards given to the Telengana region — which do not exist anywhere else in the country — nurse a grievance. What is forgotten in the scramble for jobs is that neither the application of

TABLE 1: TOTAL WORKERS AND WORKERS IN THE ORGANISED SECTOR—STATEWISE

State	Total Number of Workers as per 1961 Census	Workers in the Organised Sector 1970	(in '000s)	
			Percentage of Workers in the Organised Sector in the Total Workers	Rank According to the Proportion
Andhra Pradesh	18,663	905	5.28	13
Assam	5,137	700	15.57	2
Bihar	19,235	1,221	6.35	10
Gujarat	8,475	959	11.32	5
Kerala	5,630	703	12.49	4
Madhya Pradesh	16,929	972	5.74	12
Tamil Nadu	15,352	1,513	9.86	6
Maharashtra	18,948	2,515	13.27	3
Mysore	10,726	801	7.44	8
Orissa	7,662	391	5.10	14
Punjab and Haryana	7,101	660	9.29	7
Rajasthan	9,584	565	5.90	11
Uttar Pradesh	28,850	1,891	6.55	9
West Bengal	11,580	2,296	19.83	1
India	1,88,417	17,035	9.04	

Source: Government of India, Ministry of Labour, Employment and Rehabilitation, Directorate General of Employment and Training, 'Employment Review', 1969-70.

TABLE 2: PERCENTAGE EMPLOYMENT IN PRIVATE SECTOR IN THE TOTAL EMPLOYMENT IN ORGANISED SECTOR

State	Percentage of Employment in Private Sector	Rank
Andhra Pradesh	29.95	10
Kerala	58.32	2
Mysore	32.04	8
Tamil Nadu	49.17	4
Assam	66.72	1
Bihar	38.33	7
Orissa	21.74	13
West Bengal	53.44	3
Madhya Pradesh	23.15	12
Uttar Pradesh	28.04	11
Punjab and Haryana	30.46	9
Rajasthan	19.12	14
Gujarat	47.97	5
Maharashtra	44.41	6
India	39.25	

Source: As in Table 1.

mulki rules nor their total abolition can have a substantial impact in giving relief to the educated unemployed. Application of mulki rules either in toto or in its modified form might get a few jobs for Telengana at the expense of Andhra. Its total abolition might give a wider opportunity to a few in Andhra but neither their abolition nor their implementation can make a material difference to the fast deteriorating employment situation in Andhra Pradesh.

The university educated in Andhra Pradesh, it is known, form only a small proportion of the population. But between 1960 and 1970, thanks to a large number of educational institutions (see

Table 4), there has been a phenomenal growth in the out-turn of the educated. Taking only those at the PUC (Pre-University Course) and the level above, the index of the university educated has risen from 100 to 188 — the index for Andhra being 169 and for Telengana 238 (see Table 5). There is a vast reservoir of newly developed talent that seeks opportunities for productive absorption (see Table 6). But the trends in employment particularly in state government employment present a gloomy picture. Annual placements in state government employment show a decline since 1965. Overall employment effected through employment exchanges shows a

similar picture (see Table 7). No readjustments in employment, given the overall stagnation, obviously can solve the problem of either the Telengana educated or the Andhra educated and agitation for separation on either side cannot but be a cry of despair.

Since the root cause of the agitation is traced to stagnating employment opportunities for the job seekers the solution could be found only in measures which expand employment opportunities particularly for the educated job seekers. Obviously separation *per se* is no solution and the costs of bifurcation are not even given a moment's thought in the current mood. The history of the struggle for 'Visalandhra' goes back to more than half a century and the Telugu speaking people rejoiced when in 1956 that goal was achieved. So much was this goal desired that the leaders of Andhra were prepared to concede an unusual privilege to a region which was then generally felt to be backward. The process of cultural integration has not been smooth but traces of it are in evidence to a keen observer. Despite occasional outbursts from regional factions the common heritage is the cherished pride of both the regions. When passions cool down, people of both the regions will realise how strong these bonds are. It may be said that there may be moments in the history of a society when deeply cherished values are sacrificed for material compensation but the material compensation in the present situation appears negligible while the material costs of separation for both the regions are great.

Repeated drives for the re-arrangement of the polity of the country in response to purely emotional outbursts result in diversion of resources from developmental effort with chain effects

TABLE 3 : SIGNIFICANCE OF STATE GOVERNMENT EMPLOYMENT

State	Number Employed in the State Government 1970 (000s)	(in percentages)		
		As a Percentage of Public Sector Employment	As a Percentage of Total Employment in the Organised Sector	As a Percentage of Total Workers
Andhra Pradesh	233.3	33.8	23.7	1.25
Kerala	172.4	58.8	24.5	3.06
Mysore	272.0	50.0	34.0	2.53
Tamil Nadu	328.7	37.8	21.8	2.15
Assam	113.5	44.9	16.3	2.54
Bihar	256.4	34.1	21.0	1.33
Orissa	200.4	63.5	51.2	2.61
West Bengal	265.7	24.8	11.6	2.30
Madhya Pradesh	406.9	54.5	41.9	2.40
Uttar Pradesh	519.8	38.2	27.5	1.80
Haryana	106.1	66.0	40.9	3.84
Punjab	166.9	56.0	40.7	
Rajasthan	218.2	47.7	38.6	2.28
Gujarat	132.2	26.5	13.8	1.56
Maharashtra	360.5	25.8	14.4	1.91
India	3,983.6	38.5	23.4	2.12

Source : As in Table 1.

TABLE 4 : INCREASE IN EDUCATIONAL INSTITUTIONS—REGIONWISE IN ANDHRA PRADESH

Type of Educational Institution	Number in 1959-60		Number in 1968-69		Percentage Increase	
	Andhra	Telengana	Andhra	Telengana	Andhra	Telengana
PUC Colleges	—	4	6	4	—	—
Arts Colleges	1	4	19	17	+ 1860	+ 325
Science Colleges	2	6	1	8	+ 100	+ 33
Arts and Science Colleges	35	12	70	31	+ 100	+ 158
Commerce Colleges	—	1	—	1	—	—
All Colleges	38	27	96	61	+ 153	+ 126
Training—Basic	1	—	7	4	+ 600	—
Engineering	3	3	4	3	+ 33	—
Law	1	1	—	2	—	+ 100
Medicine	4	5	8	7	+ 100	+ 40
Physical Education	—	1	1	1	—	—
Oriental Studies	18	5	25	12	+ 39	+ 140

Source : Government of Andhra Pradesh, Bureau of Economics and Statistics, 'Statistical Abstract of Andhra Pradesh'.

TABLE 5 : ANNUAL OUT-TURN OF EDUCATED BY DEGREE—REGIONWISE IN ANDHRA PRADESH

Category	Number in 1960		Number in 1968		Percentage Change	
	Andhra	Telengana	Andhra	Telengana	Andhra	Telengana
PUC	5,781	2,257	11,488	4,824	+ 99	+ 114
BA	1,831	346	1,019	888	— 44	+ 157
MA	218	215	646	490	+ 196	+ 128
B Sc	962	121	1,682	1,078	+ 75	+ 791
M Sc	204	74	253	163	+ 24	+ 120
Ph D (Arts)	2	4	—	12	—	+ 200
D Sc and Ph D (Science)	15	8	—	26	—	+ 226
B Com	527	71	603	202	+ 14	+ 185
M Com and MBA	65	11	64	14	— 1	+ 27
Law	134	238	72	197	— 46	+ 17
Training	567	234	1,330	673	+ 135	+ 188
Engineering	240	152	519	420	+ 116	+ 176
Medicine	128	117	364	206	+ 60	+ 76
Total	10,674	3,848	18,040	9,193	+ 69	+ 138

Index :	1960	1968
Total	100	188
Andhra	100	169
Telengana	100	238

Source : As in Table 4.

not limited to Andhra Pradesh alone and with intra-state disputes being transformed into inter-state disputes resulting in heavy economic costs in addition to social costs. Periodic readjustments in the existing polity result in diversion of energies and time — which could otherwise be used for planned development — to reconciliation of conflicting claims of contending parties. Concessions which are granted with no regard for the material base generate similar demands and introduce a continuous climate of uncertainty in the polity. Considering the costs of separation both for Andhra Pradesh as well as all India, a compromise by both sides for a temporary period, with certain prospects of unlimited and unhindered movement of labour and flow of capital between the regions, offers better prospects for development and employment. It will be a sad day for both the regions if in the frenzy of the separatist mood the goals of employment, development and social justice tend to be bypassed.

Our analysis has shown that the roots of the agitation could be traced to interests of the petty bourgeois class in both the regions. To identify this as general interest is a mistake. What gives it the character of a social interest is the principle for which the petty bourgeois apparently is fighting for. In Andhra, equality of employment opportunities and service conditions is the slogan and the slogan justifiably has a wider appeal. In no other state in the country is there anything similar to mulki rules and the application of mulki rules in Andhra Pradesh alone appears as unjust discrimination against the petty bourgeois of Andhra. In Telengana the slogan of the petty bourgeois is protection of a backward region against encroachment by more advanced communities. This too gains a mass appeal in that region particularly against the background of the widespread belief that the assurances had been repeatedly violated by chief ministers drawn from Andhra. Therefore, the petty bourgeois in both the regions acquire the role of defenders of genuine social causes. The problem thus is how to ensure equal employment opportunities for all within the integrated state without going back on the assurances given to Telengana. The denial of employment opportunities within the state for people of Andhra is tantamount to imposition of a cost which is borne by no other comparable group in any other part of the country. The total abolition of mulki rules within the framework of an integrated state is not an immediately feasible proposition. The preservation of the integrity of Andhra Pradesh is a necessity not only in the interests of the people

TABLE 6 : TRENDS IN EDUCATED REGISTRANTS WITH THE EMPLOYMENT EXCHANGES AND PLACEMENTS EFFECTED IN ANDHRA PRADESH (Base year 1959-60)

Year	Applicants Registered with the Employment Exchanges in the Year	Ind.x	Placements Effectuated during the Year	Index
1959-60	52,236	100	9,431	100
1960-61	58,231	111	13,637	145
1961-62	30,473	58	6,805	72
1962-63	42,750	81	9,222	98
1963-64	74,265	142	15,323	162
1964-65	63,705	122	17,554	186
1965-66	70,639	135	13,930	148
1966-67	85,508	164	9,191	97
1967-68	107,034	205	9,737	103
1968-69	126,365	242	11,674	124

Source : As in Table 4.

TABLE 7 : TRENDS OF ABSORPTION IN ORGANISED SECTOR THROUGH THE EMPLOYMENT EXCHANGES IN ANDHRA PRADESH (Base Year 1960)

Year	Central Government	State Government	Private Establishment	Total
1960	100	100	100	100
1961	346	161	265	157
1962	233	108	274	135
1963	437	96	399	153
1964	411	133	506	194
1965	375	152	547	212
1966	289	101	616	175
1967	199	65	425	117
1968	318	57	396	114
1969	151	81	278	108

Source : As in Table 4.

of this state but also in the long-term interest of the country in view of the chain effects that the bifurcation of Andhra Pradesh might bring about. For this reason the costs which are now borne by the petty bourgeois of Andhra alone, due to implementation of mulki rules, should be a burden of all India. This burden is not great for the country as a whole. The cost in terms of loss of jobs to people in Andhra cannot be more than 2,000 in number per annum and the financial costs of this roughly amount to a maximum of two crores of rupees per annum. Over a five-year period the burden on the Government of India will be ten crores of rupees and this is very little for the Centre to bear in relation to the gains of an integrated Andhra Pradesh for India. The petty bourgeois in Telengana region now, thanks to the assurances given, are enjoying a double privilege. They have privileges which no other backward region in the country has. Secondly, the ratio of 2:1 envisaged under the 'five point formula' confers an advantage to the educated class in that region which is more than proportionate to their ratio among job seekers. It is unjust to make a temporary privilege into a permanent virtue. The petty bourgeois in Telengana should be told unequivocally that at the end of the period stipulated they

will not be entitled to privileges which are not conferred on other backward regions. A dialogue between the leaders of both the regions under the auspices of the central leaders, on this basis, we hope, could contribute to restoration of normalcy in Andhra Pradesh.

What appears to be a social movement is in reality a petty bourgeois movement. The petty bourgeois in both the regions has succeeded in giving it a social character since they appear to champion general principles in which there is wider interest. In Andhra the general principle is equality of employment opportunity. In Telengana the general principle is protection of a backward group against an advanced group. In the course of the fight for competing claims of the petty bourgeois of the two regions the wider interests of the state and the nation are being forgotten. The wider interests could be safeguarded by seeing the movement in its proper perspective and removing the legitimate grievances of the petty bourgeois class. Since the operation of mulki rules in any form imposes a cost on the petty bourgeois of Andhra they will have to be compensated and the cost should be borne by the Centre by assuring them of the jobs which they would otherwise lose. This cost is not much in terms of the benefits to the country as a whole.

The Wild Life (Protection) Act of 1972

A Critical Appraisal

M Krishnan

The grant of statutory protection from being hunted, trapped or otherwise directly harassed, which is what is practicable in an act, will go only some way towards conserving our fauna, even in sanctuaries. All human activities that are not directed at the fauna with hostile intent (like hunting) but which have a no less depletive potential (such as deprivation of habitat, overmuch disturbance by humanity, competition for fodder by domestic animals being permitted to graze in the preserve and the risk of such cattle conveying epidemic diseases to the wild herbivores) must be eliminated from a sanctuary area before the word 'protection' can have any value in actuality, and this cannot be achieved entirely by a comprehensive enactment adopted by all states, but also needs the co-operation of the people and the governments in other ways, even the reorientation of the attitude of most of our state governments towards their forests.

For these reasons, we cannot expect the Wild Life (Protection) Act of 1972 to be fully comprehensive in its scope and application: it can, at best, prohibit direct aggression towards certain animals wherever found, provide punitive sanctions for breaches of such prohibitions, lay down that in preserves, in addition to the prohibition or direct aggression towards the animals, certain human activities should be barred, and provide for adequately diminishing, or extinguishing altogether, existing human rights in the area. An act can also prescribe or specify the administrative set-up necessary for the fulfilment of its objectives and provide for contingencies and specify exceptions.

The Wild Life (Protection) Act does all this, but not always with that informed awareness of our wildlife crisis that one might reasonably expect of it, and not without the weakness of an avoidable provision for compromise. Nor is it wholly free from formal deficiencies.

THE Wild Life (Protection) Act of 1972 seeks, in the face of constitutional difficulties not set out in it, to protect and preserve our dwindling fauna. The need for such a Central act is obvious, even urgent. We have no uniform or even integrated national wildlife policy: we do have a National Forest Policy, evolved long after independence, a policy more honoured in the breach than in the observance, and almost totally lacking sanction in view of the fact that we have no national forests, an important fact that may be explained briefly here to provide the background needed for a fuller and better appreciation of the present act.

Until the attainment of independence, though the governments of most Presidencies and other regions of British India had independent charge of their forests, there was a measure of effective Central control. Under the Constitution, 'Forests' are specifically designated a state subject, and each state has sovereign power over its forests. This does not merely mean that the Forest Department of each state does what it thinks best with the forests under its control (rather than in its charge), and that the Centre has merely an advisory and suggestive capacity in the matter — it means that the state Forest Department, which is only a government department, does what the government in power directs it to do, although it is no doubt con-

sulted in all matters; it means that the ultimate directive and decisive power in the management or mismanagement of a state's forests does not depend on the wisdom of a technically qualified department, but on the secretariat above it, the ministers in office, and of course the politicians and (necessarily in our democratic set-up) the people.

As long as 50 years ago, Eardley Wilmot who was then IG of Forests, pointed out that the forests of India could not be exploited solely on the basis of benefit to the people or monetary gain, or on the basis of popular demands, but had to be conserved, often against such demands. Old departmental names (current still) such as Chief Conservator, Conservator, Ranger, Guard, and Watcher, and some meaning in the bad old British days. Today, owing to the failure of our democracy to realise that even a popularly elected government has the basic duty to safeguard the future of the people and the country against the clamorous demands and abuses of a rapidly growing present population, our wonderful and unique heritage of wildlife (which, more than our culture or racial integrity, sustains the Indian quiddity of India) has been recklessly depleted within the past 25 years.

Among the major depletive factors that have caused this steep faunal and floral decline should be mentioned the usurpation and destruction of wild-

life habitats for human uses (including popular, industrial and departmental exploitation of the forests, the establishment of human settlements and enterprises within the reserved forests and the grazing of cattle with in them), hunting, snaring and poaching of all kinds, the great and consequential disturbance caused to the wild animals by human presence in their homes, the introduction of exotic plant into the environment, and pollution.

It will now be seen that the grant of statutory protection from being hunted, trapped or otherwise directly harassed, which is what is practicable in an act, will go only some way towards conserving our fauna, even in sanctuaries. All human activities that are not directed at the fauna with hostile intent (like hunting) but which have a no less depletive potential (such as deprivation of habitat, overmuch disturbance by humanity, competition for fodder by domestic animals being permitted to graze in the preserve and the risk of such cattle conveying epidemic diseases to the wild herbivores) must be eliminated from a sanctuary area before the word 'protection' can have any value in actuality, and this cannot be achieved entirely by a comprehensive enactment adopted by all states, but also needs the co-operation of the people and the governments in other ways even the reorientation of the attitude of most of our state governments towards their forests.

For these reasons, we cannot expect the present act to be fully comprehensive in its scope and application: it can, at best, prohibit direct aggression towards certain animals wherever found, provide punitive sanctions for breaches of such prohibitions, lay down that in preserves, in addition to the prohibition of direct aggression towards the animals, certain human activities should be barred, and provide for adequately diminishing, or extinguishing altogether, existing human rights in the area. An act can also prescribe or specify the administrative set-up necessary for the fulfilment of its objectives, and provide for contingencies and specify exceptions. The Wild Life (Protection) Act of 1972 does all this, but not always with that informed awareness of our wildlife crisis that one might reasonably expect of it, and not without the weakness of an avoidable provision for compromise. Nor is it wholly free from formal deficiencies.

However, before detailing these criticisms specifically, it should be said that the enactment of such a Central act is itself something of an achievement. We do not lack acts, and notifications under statutory powers, seeking to protect a species or class of animals; there are many such acts in many states, diversely conceived and drafted, and with a very few exceptions they have achieved little, and even been forgotten at times. In the present act it is stated that Parliament, having no power to make laws for the states in the matter "except as provided in articles 249 and 250 of the Constitution", has enacted this wildlife protective law for the states of Andhra Pradesh, Bihar, Gujarat, Haryana, Himachal Pradesh, Madhya Pradesh, Manipur, Punjab, Rajasthan, Uttar Pradesh and West Bengal whose legislatures have passed resolutions enabling the Centre to do so "in pursuance of clause (1) of article 252 of the Constitution". The enactment of a uniform, comprehensive Central law that will apply to no less than 11 states (and also to all the Union territories) is certainly an achievement, and this act may well be extended to other states in future.

The formal deficiencies of the act may be considered first. It is an established legal principle that, since statutes must be construed strictly, unexceptionable clarity and precision is necessary in their statement of objectives, definitions, prescriptions and schedules. The language of this act is not free from redundancy and ambiguity in some small ways. Perhaps only

the carping critic will take note of such trivial things (*de minimis non curat lex*),^{*} but having said this, an instance must be cited. The word 'animal' is defined in section 2(1) to "include amphibians, birds, mammals and reptiles"; the scientific, and even the established statutory, scope of the term is much wider; only in colloquial or lay language is the word 'animal' used to signify 'mammal', and scientifically all living organisms that are not plants are animals; even the Indian Penal Code defines the term much more scientifically and comprehensively than the present act, and it is no credit to the century of scientific study of nature since the coming into being of that code that an act of 1972 should be less accurate in its definition of the term. That apart, the very first line of the act says that it provides for the protection of "wild animals and birds", a needless redundancy even according to its own definition of animals. No doubt this is a trivial defect, but there are more substantial defects in the definitions of the act.

Even the splitting of the word 'wildlife', against the trend of modern scientific English, into two words could have been avoided, especially as the term spelt 'wild life' gets into difficulties the moment one wishes to use it adjectivally. The act leaves one with the impression that it is entirely faunal in its concept of wildlife, but its definition of 'wild life' at section 2 (37) reveals that its unjustifiable limitation of the term only to certain forms of life is, in fact, faunal and not floristic; As per the definition 'wild life' "means any animal, bees, butterflies, crustacea, fish and moths; and aquatic or land vegetation which forms part of any habitat". Take this in conjunction with the definition of 'animals' already referred to, and it is seen that in this act the term 'wild life' is limited to mammals, birds, reptiles, amphibians, fishes, only bees and butterflies and moths of the insects (the largest and most populous class of animals in the world), and crustaceans among animals; so worms, ants, beetles, wasps, dragon flies and a host of other creatures are not considered part of our wildlife by this act. But the entire natural flora of the country is included in it. Everyone knows that plants do not grow floating in the air (though on occasion they may be airborne) but are found on the land and in the water, and all terrestrial. and

^{*} *de minimis non curat lex* = 'the law does not take note of little things' — a well known tag of jurisprudence.

aquatic plants that are not artificially introduced but natural to the environment in which they are found are, therefore, included in the term 'wild life' as defined.

The only possible reply to this criticism is that while the term 'animals' has been defined to include amphibians, reptiles, birds and mammals, it is nowhere said that other animals are excluded! Then why have a definition at all? I am afraid both the definitions of 'animals' and 'wild life' are needlessly inept; it is not as if satisfactory definitions of these terms that could have been adopted were not readily available. For instance, the definition of wildlife in the Expert Committee Report of 1970, which says that the term denotes "the entire native uncultivated flora and fauna of the country", could have been adopted usefully.

The act offers no protection to the floral part of our wildlife, except incidentally.

HUNTING NOT PROHIBITED

The act does not seek to prohibit the hunting of all animals, but only their unlicensed poaching. Except in preserves, i.e. sanctuaries and national parks, many animals can be hunted on licence, and when it is realised that the total preserve area in our country today is well under 1 per cent of the total land area (including all existing and proposed preserves), or under 5 per cent of the total area under the control of our Forest Departments, it will be seen that no wholesale ban on hunting has been imposed. This is reflected in the repeated use of the anachronistic term, 'game', in the act.

There are five schedules appended to the act, all lists of animals. Schedule V could also have followed the rest in providing the scientific name of the species listed after its vulgar English name, to render its identity unmistakable.

Schedule I lists 42 species of mammals, 3 species of reptiles, and 24 species of birds which may not be hunted wherever found. It includes some species unlikely to be found now within Indian limits, such as the cheetah or hunting leopard (extinct in our country now) and the Tibetan gazelle and Tibetan wild ass, presumably, as the lawyers say, by way of abundant caution. All the species listed in this schedule are species threatened, now on the brink of extinction (one or two actually extinct). A feature of our wildlife decline in the re-

cent past is that animals well known in many parts of the country only some 30 years ago are now locally extinct or reduced to rarity. When this is so, the only reasonable and constructive legislative protection that can be accorded to them is to include them in Schedule I here, and, if any such species is locally too abundant or turns a crop-raider in some exceptional non-sanctuary areas, to license their hunting in those areas as can be done under this act. Sections 11 and 12 empower the Chief Wild Life Warden (who is something of a plenipotentiary under the act) to sanction the hunting of any animal in Schedule I when it becomes a proscribed 'rogue' (to use a popular, well-understood term) and a threat to life and limb, and all such animals, as also crop-raiders in Schedules II, III and IV. Considering all this, surely the Crab-eating, Stump-tailed and Pigtailed macaques, the Nilgiri Langur and the Capped Langur, the Hog Badger, the leopard, the Sloth Bear, and the Nilgiri Tahr should have been included in Schedule I. Incidentally, excepting for the leopard and the Sloth Bear, none of the animals listed above can be a threat to human life, or to crops.

When any animal is hunted as a rogue or a crop-raider on licence, it should have been stipulated (as it is stipulated in section 11(3) regarding animals killed in self-defence or in defence of another person) that its carcass would become government property.

Schedule II concerns Special Game (sic.) nearly three dozen species (mainly mammals, a few reptiles) which may be hunted on licence issued by the Chief Wild Life Warden. Presumably, these are considered less acutely threatened than the species in Schedule I; but for the reasons of local extinction and rarity already explained, and even otherwise, many of the species listed here are no less threatened — for example, the sun bear (*Helarctos malayanus*) the occurrence of which within our territorial limits is restricted to two or three instances — and I doubt very much if the wild yak is to be found at all in India.

Schedule III (Big Game) lists 20 species of mammals, which are obviously considered even less threatened than those in Schedule II. The wolf and the sloth bear from this schedule should have gone into Schedule I. One can imagine the smile on the face of our nimrods when they find

from this list that the ratel, the mouse deer, and the hyena are big game animals.

Schedule IV lists classes and species of Small Game.

Schedule V lists 6 mammals and the 'common crow' as vermin. Whether, in most urban areas of the country the common crow is the House Crow or the Jungle Crow is debatable, but perhaps both are meant. What shocks one is to find the charming little Indian Fox (*Vulpes bengalensis*), an exclusively Indian and nocturnal animal that is the farmer's friend, listed as vermin! It is one of the authentic animals of our plains forests and coastal flats, now very much on the decline because of human usurpation of its territory, and should unquestionably have gone into Schedule I.

Some common Indian animals are not mentioned in any list, for example the Rhesus and Bonnet Macaques (the commonest monkeys of the country — the former, now on the decline, perhaps the best known monkey in the world and the latter exclusively Indian) and the Common Langur, the only monkey with an all-India distribu-

tion. Is it to be taken that, in certain parts of the country at least, these animals are not in need of protection?

An avoidable weakness in the act was mentioned. A century of forestry in our country has amply demonstrated the pernicious influence of permitting wood-poachers to compound their offences. Perhaps there is some monetary gain to the government by compounding such offences, but it only encourages poachers to commit offences, since the mobile patrol squads and protective personnel of our Forest Departments are, at best, able to apprehend some 15-20 per cent of those actually committing offences, and a poacher finds it lucrative to pay the compounding penalty when he gets caught only once in five times. The justification for imposing punishment for offences is that it is deterrent, and compounding offences by payment of a fine to government (unknown to criminal law as an option) definitely undermines the very object of prohibiting any depletive action. It is most unfortunate that in this act, section 54 specifies quite easy terms for compounding offences.

ECAFE Report Underscores Relevance of Chinese Experiment

AN assessment of Asia's progress towards the social and economic targets of the Second Development Decade, recently released by the United Nations Economic Commission for Asia and the Far East (ECAFE), cites the experience of the People's Republic of China in these fields as "of extreme importance" for developing countries. Reviewing the progress in institutional structures and reforms in the region, the Survey says that, while some differences of opinion over "basic institutions — such as the private ownership of means of production — may be irreconcilable for some countries", these differences "should not be allowed to obscure the fundamental fact that the problems to be tackled are much the same and that organisational forms that have proved successful in one type of society may well be adjusted to the other type, without necessarily conflicting with ideological requirements." The survey argues that the advantage of the mixed system is precisely that it can draw extensively on the experience of both market economies and centrally planned economies.

In this context, it underscores that China's experience in the social and economic field is of extreme importance. The impressive effectiveness of

certain pragmatic and logically simple steps provides an important lead for similar action in other countries. Some of these measures could be adjusted to the mixed economy framework without ideological implications, "although their effectiveness may be constrained by the different institutional framework in these countries and the nature of the problems to be solved", (italics added).

The ECAFE report lists the following among "important aspects of the Chinese institutional framework, which have crystallised after the 'cultural revolution': self-financing of regional development; decentralisation of decision-making to the lowest level; a high degree of flexibility in planning and target-setting; need-and-action-oriented education, training and research; persuasive methods to give local and rural motivation to the trained personnel; and co-ordinated and balanced development of production, personnel and infrastructure."

The Survey feels that all these developments are of crucial relevance for the other developing countries of the region. It goes on to point out that the institution of a 'revolutionary corps' in Iran, and 'land reform teams' in Nepal, are based on similar motivation.

Tax Incentives for Saving and Investment

M P Chitale

In a situation where a large variety of inessential consumption articles are purveyed to the people with the help of high pressure selling and where possessors of black money every day set new styles in high living, the pressure to consume is almost irresistible. To counter this pressure, effective measures have to be devised to induce people to save and invest.

However, under the existing system of tax incentives, the amount of tax benefit depends not so much on the volume of saving as on the level of the individual's taxable income. The result is that higher tax bounties are offered where the sacrifice involved in saving is almost nil or negligible.

This perverse system should be replaced by one under which the rate and quantum of the tax benefit would depend on, and be directly linked to, the volume of savings generated in such a way that the larger the amount saved, the larger the tax benefit.

HOW to raise the rate of saving when the level of production is insufficient to meet the bare requirements of life is a persistent dilemma before the developing countries. The experience of developed countries shows that two conditions are essential to place a society firmly on the path of economic progress: First, continuous improvement in the rate of investment and, second, effective use of available resources and development of attitudes and methods calculated to improve productivity.

Anxious to raise the level of investment without causing undue inflation, the Central Government levied in the 1972-73 Budget additional taxes estimated to yield Rs 183 crores. This was done with the full knowledge that in 1971-72 taxes fetching Rs 500 crores had been already imposed. In spite of this substantial increase in the tax effort, which helped secure an increase in gross tax revenue of Rs 4,300 crores over the level in 1970-71 (Rs 4,538 crores against Rs 3,206 crores), the revised estimates show an overall deficit of Rs 550 crores in 1972-73. Deficit financing of this order was found necessary even after borrowings and other capital receipts had provided Rs 500 crores more than the budget estimates.

Over the last seven years, since 1965-66, gross tax revenue has increased by about Rs 2,500 crores. Yet, development expenditure on education, health, industries, export promotion, etc., and the revenue surplus in the Revenue Budget have improved by less than Rs 100 crores (Rs 670 crores against Rs 577 crores). In other words, although gross tax revenue increased by 120 per cent, the resources available for development showed an increase of only 15 per cent. Out of every Rs 100 collected by way of additional tax, hardly 4 per cent could be devoted for development purposes and that too in terms of the falling value of the rupee. Almost all the increase in tax

revenue has thus been swallowed up in expenditure on general administration, defence, interest payments, grants to states, et al.

As the increase in tax revenues and borrowed funds has not been sufficient to meet Plan outlays, recourse has been taken to deficit financing. Over the last three years, 1970-71 to 1972-73, close to 20 per cent of the Plan outlay has been financed by Reserve Bank credit to government. The upshot has been the steady and continuous rise in money supply and prices of about 10 per cent every year.

Recourse to additional taxation and deficit financing is required every year because savings otherwise not adequate to finance the Plan outlay or investment. Consider, in this context, the Fifth Plan objective of achieving self-reliance. When it is noted that as much as Rs 2,250 crores or 23 per cent of the Plan outlay in the three years 1970-71 to 1972-73 have been financed by external assistance, the imperative need to ensure adequate growth in the rate of domestic savings becomes obvious. But for this should we continue to use the same old tools and methods which have proved ineffective? The purpose of this article is to question the efficiency of the old methods and to plead for rethinking and development of new approaches.

REGRESSIVE SYSTEM

Take, for example, the new proposal to increase the deduction available on savings made in the form of life insurance premium, contribution to provident fund, etc. In respect of the annual savings made in this form an individual or HUF was entitled in computation of taxable income to a deduction equal to 100 per cent for the first Rs 1,000 of saving, 50 per cent for the next Rs 4,000 and 40 per cent for the balance amount of the qualifying savings. The change proposed in

the Finance Bill 1973 will enable a taxpayer to get a deduction equal to 100 per cent for the first Rs 2,000 of savings. The amount saved in excess of the first Rs 1,000 will thus get a deduction equal to 100 per cent instead of 50 per cent as till now. A taxpayer who saves Rs 2,000 in this form will get a deduction of Rs 2,000 instead of the existing deduction of Rs 1,500. On the Rs 500 the taxpayer will get tax relief at the marginal rate of tax applicable to his income. If the taxpayer's income is Rs 10,000, the new proposal will reduce his tax by Rs 55 (11 per cent of Rs 500). If the taxpayer's income is Rs 30,000 he will obtain a tax deduction of Rs 287 (57.5 per cent of Rs 500). If the income exceeds Rs 1 lakh, the tax deduction will be Rs 460. Thus although the amount saved is the same, say, Rs 2,000, the benefit by way of tax deduction is not the same.

The amount of tax benefit depends not so much on the volume of your saving but on the level of your taxable income. Under the present system a taxpayer earning over Rs 1 lakh gets a tax benefit of Rs 920 on the paltry amount of Rs 1,000 which he can save without any hardship. In a large number of cases where life insurance policies have been already taken and where contribution to Provident Fund takes place almost automatically by way of deduction from the monthly salary or where, under the amendment provision of the payment of Bonus Act, a portion of bonus will be credited to the Provident Fund straightaway, and in all cases where saving in the form of life insurance premium or provident fund contribution is Rs 2,000 or over, the new proposal will really mean a gift from the government ranging from Rs 55 to Rs 488, depending on the level of the taxpayer's income. This gift will be made by the government though there is no extra effort on the part of

the taxpayer to enlarge his saving. It is futile, therefore, to expect any improvement in the volume of saving because of this new proposal. How the existing method of giving tax benefit to encourage saving is regressive and ineffective and even damaging to its intended objective can be realised from the following illustration.

If the taxpayer's income increases, say, from Rs 15,000 to Rs 25,000, ordinarily he should be expected to save a larger sum. Under the existing system of making weighted deduction, although his savings may remain at the previous year's level, say, Rs 2,000, the tax benefit will be larger because he will get a tax deduction at the rate of 34½ per cent (the marginal rate of tax applicable to an income of Rs 25,000) instead of at 18.7 per cent (the rate applicable at the level of Rs 15,000). Further, he will get this larger deduction even if he spends away the entire amount of his additional income without making any addition to the country's savings pool. The fact that a person who can save Rs 1,000 or Rs 2,000 in the ordinary and natural course because his income happens to be large, should get a bounty from the government at higher rates highlights the irrationality of the present method by absence of any consideration for cost benefit calculation.

It needs to be reiterated that in the existing conditions when a variety of fancy and inessential commodities are purveyed before the public with engaging appeals through newspapers, films and other mass communication media and when possessors of black money symbolise a new style of living inflaming the desires of others, there is so much pressure on every household to spend that, to counter the natural tendency to spend, an effective countervailing measure has to be devised to induce people to save and invest. Extra saving involves a larger sacrifice. The rate and quantum of the tax benefit should, therefore, depend on and be directly linked to the volume of savings generated in such a way that the larger the amount saved, the larger is the tax benefit. The perverse method, prevailing at present, of offering a higher bounty where sacrifice is likely to be almost nil or negligible should be replaced by a method which will make available tax benefits at a progressively higher rate on the extra amount saved and invested. Just as rates of income-tax are progressive, the rates of tax benefit or tax credit should

also be progressive so as to induce a person to save and invest the largest possible portion of his income.

INCENTIVE FOR INVESTMENT

Mention must be made of another shortcoming of the existing scheme of tax incentive for promoting saving. The existing tax benefit is available only in regard to saving made in specified forms such as life insurance, provident fund, etc. These media are not suitable for numerous taxpayers who would like to hold their saving in the form of investment in their own proprietary and partnership business or shares in limited companies. According to the All-India Income-Tax Statistics, 1966-67, there were one lakh assessments concerning income from proprietary business or from partnerships, covering a gross income of about Rs 1,400 crores. During the same financial year, 1966-67, assessments concerning salary income were 7.5 lakhs covering a gross income of about Rs 600 crores. It will be observed that a significantly large number of assesseees having the potential to save have no suitable tax incentive encouraging them to save and invest in a field of their choice. When the policies of the commercial banks and the state financial institutions are being geared to assisting industry on the basis of viability rather than security, it is all the more desirable to encourage individuals to take risk and directly participate in contributing risk capital to industry and business. Moreover, apart from the common need of saving for old age, sickness and education, in the case of businessmen there is an additional need of saving, namely, saving for investment in one's own business or industry. When prices are rising every year, working capital needs of business and industry become larger even to maintain a given level of activity. A growing business requires still larger working capital. At the existing tax rates there is no room for saving for investment in business after meeting consumption needs. Neither are our banking practices such that almost the whole of the increase in working capital can be financed by banks. This situation leads to large-scale suppression of stock and tax evasion.

A significant change in the environment will take place if persons in industry and trade are enabled to save and invest in an open manner. After all, these are the fields where opportunities for making black money and tax eva-

sion are more pronounced. Moreover, there is a greater likelihood of small and medium commercial and industrial ventures being run with economy, imagination and watchfulness if they are managed by persons having a stake in the business.

If the tax measures intended for reducing inequalities of income and wealth impede the application of resources for improvement in productivity, such measures become ineffective and self-defeating. The development of countries not blessed with significant natural resources, like Switzerland and Japan, shows that wealth is not a static quantity. Moreover, the concept of egalitarianism need not be extended to sharing of machines or the productive apparatus. So long as the productive apparatus is used for social development and not for personal consumption, the choice as to who should use it should be determined primarily on consideration of improvement in productivity. Gandhiji's concept of trusteeship in regard to wealth is indeed constructive, particularly in its application to wealth in the form of means of production. The gift tax, estate duty, wealth tax and even the expenditure tax can be used to take care of widening income disparities. In other words, so long as income earned is devoted largely to saving and investment and not spent on personal consumption, very wide disparities in personal and household consumption would disappear. This also can be viewed as a first step in checking black money and tax evasion. If saving and investment can be made in an open manner, resort to tax evasion at least for the purposes of effecting saving will be eliminated.

There is a view that exempting all savings in financial form from income-tax, so that the high rates of tax would impinge not on savings but on personal consumption, is not a very practicable proposition. It is argued that when checking of income-tax evasion poses such difficult administrative problems it would be all the more difficult to keep a check on consumption. When income-tax was first introduced similar misgivings must have been expressed about its efficacy and the difficulties of spotting and computing income. The Wanchoo Committee has recommended that the income-tax return be accompanied by a statement giving broad particulars of personal and household expenditure and a statement of assets and liabilities. If legitimate saving and investment are encouraged

without attracting unduly high rates of tax, the attention of the tax administration can be directed to watching the levels of consumption. This will tend to create a climate more conducive to promotion of saving and checking the rapid spurt in lavish consumption.

TREATMENT OF CAPITAL GAINS

One cannot get away from the fact that inability to collect adequate saving remains the only justification for government's resort to deficit financing, leading to inflationary pressures all round. In this situation, it is difficult to appreciate the policy of giving concessional treatment to long-term capital gains. It is proposed in the Finance Bill, 1973, to narrow the amplitude of long-term capital gains eligible for tax concession. A capital asset will be treated as a long-term capital asset only if it is held by a taxpayer for not less than 60 months (instead of 24 months till now) prior to the date of transfer. Although the scope of capital gains entitled to concessional treatment is being restricted, the basic fact remains, namely, that the concessional treatment will be available even if the capital gains and the sale proceeds of the capital asset are utilised wholly for purposes of consumption. There is nothing that links the concession to the manner in which the income is used. In order to augment the savings pool, it is desirable to give concessions on the basis of the amount saved and invested. Instead of giving concessions on the basis of the holding period of the asset it would be desirable to give incentives calculated to encourage new entrepreneurship.

The industrial licensing policy has been geared to promotion of small and medium enterprises and to directing established big business houses to use their skills and resources in the core sector. The emergence of new entrepreneurship and the undertaking of new ventures, small or big, would involve investment in new fields and activities. This also involves withdrawal of old investments in established industry and utilising the same for investment in new ventures. Prospective entrepreneurs may want to dispose of their immovable or movable property and invest the proceeds as risk capital in a business venture. It is the individual having substantial wealth who can be expected to take interest in new ventures which may not yield a profit for a long period. Individuals from the

low and middle income groups can be induced to invest their savings in established industries solely on the basis of their attractive yields. Those having comfortable levels of incomes and wealth should be encouraged to switch from investment in established industries to investment in riskful new ventures. The wealth tax and capital gains tax can be used as significant instruments in securing such a switch. Exemption from wealth tax for a specified period for investment in new ventures in a particular field and treating capital gains like ordinary income, but eligible for exemption, or a tax incentive in respect of the amount saved and invested will transform and strengthen the structure of our capital market.

The retention of the capital gains tax and the amendments of the nature proposed in the Finance Bill 1973 make an investor reluctant to change his investment and so discourage the flow of capital into new ventures. This not only fails to enlarge saving but also obstructs the flow and mobility of investible funds. Our tax structure has for far too long bestowed favourable treatment on investment in gold, jewellery, life insurance policies or provident funds. Actually, it is invest-

ments carrying an element of risk that should receive favourable treatment. It is desirable that an increasingly large number of persons should be encouraged to take risk and turn into entrepreneurs or job-givers instead of being job-seekers.

SEMI-MONOPOLISTIC POSITION

Similar considerations should prevail in designing the corporate tax structure. How business firms can be encouraged to effect economies and improvements in productivity, how promotion of new companies can be fostered and facilitated and how wide participation can be promoted and encouraged need to be thought out anew. Treading on the same old path will further impede the emergence of new competing units and make it possible for the existing companies to acquire a semi-monopolistic position. The high rates of tax today have merely acted as an in-built lever for padding of costs and pushing up prices. The experience of the past several years has exposed the unsuitability of the existing method of taxation for the primary task of improving the rate of saving and investment and encouraging the forces of productivity.

Molins of India

MOLINS of India — a subsidiary of Molins of the UK — which manufactures cigarette-making and -packing machinery and spare parts thereof, is making a public issue of 83,052 equity shares of Rs 10 each for cash at par under a Prospectus. Besides, 2,50,300 fully paid-up equity shares, owned by two large shareholders, viz, India Tobacco and Vazir Sultan, are being offered for sale out of their own holdings. After this issue and offer for sale is completed, the holding of the foreign and foreign-controlled companies in the equity capital will be reduced from 85 per cent to 60 per cent — in compliance with the government of India's policy of Indianisation. MIL has manufacturing facilities at Behala near Calcutta and also at rented premises at Chandigarh. The latter are being replaced by a factory building under construction at Mohali in Punjab and is due for completion around April next. Started in 1960, the company originally catered for the spares needed by the cigarette industry, but is now cap-

able of manufacturing a complete range of cigarette-making and -packing machinery. The first completely indigenous cigarette-packing machine has just been completed. The import content of raw materials and piece parts have been reduced in successive batches. Sales have steadily grown, from Rs 36 lakhs in 1967 to Rs 166 lakhs in 1971. Sales in 1972, upto the end of August, were Rs 129 lakhs. According to the directors' estimate, turnover for the full year should be Rs 181 lakhs and pre-tax profit Rs 45 lakhs. An interim dividend of 8 per cent has already been declared and no final payment is intended to be made for that year. The managing director, A J G Ellis, expects the company to pay a dividend of 10 per cent for the current year. The company suffered losses in 1967 and 1970 due to strikes and closures, but it earned profits in 1968, 1969, and 1971. As at the end of 1971, it had reserves of Rs 10 lakhs against a capital of Rs 92 lakhs entirely in equity.

The Industrial Credit and Investment Corporation of India Limited

H T Parekh

ICICI Chairman

refers to improved working of industry in 1972

☆ Dangers of standing still

☆ Need for speedy decisions by Government

☆ Call for Pragmatic Approach to Industrial Growth

THE following is an extract from the Statement of the Chairman, Shri H T Parekh, circulated to the Shareholders with the Directors' Report and Accounts for the year ended December 31, 1972.

The end of the year 1972 has not maintained the euphoria which one saw at its beginning. Early 1972 saw a new confidence in India, arising out of the emergence of Bangladesh as a new independent country — an event to which this country contributed not a little. In the aftermath of this event, India withdrew its military presence in the newly independent country, and the Bangladesh administration was able to inspire confidence in its nationals who had migrated to India for safety, to return to their homeland. We had also carried out elections in most of our States, thus reaffirming the faith in the democratic process.

The whole series of events lent a certain strength to the country's political and economic position. Politically, the emergence of Bangladesh as a friendly nation has helped to improve India's status in the region; the new alignment has brought about a geo-political structure in the region which is in keeping with India's peace-loving policy. India has also tried to consolidate this situation by friendly gesture to the new administration in Pakistan, resulting in the holding and successful conclusion of the Simla summit.

ECONOMIC SITUATION

Considered in the light of this situation, the economic gains made by the country during 1972 must be considered unsatisfactory. After a series of five years of good harvests, our luck with the monsoon seemed to have run out in 1972: the *kharif* crop has been substantially lower than in the previous year, and the loss, despite the energetic

steps taken by the Government to increase output in the *rabi* season, is likely to be only partially made good by the *rabi* crop.

A failure of monsoon, on the scale we had in the 1972 season, has wide repercussions on the economy despite our attempts to insulate our economy from them. Given the dependence upon hydel power, such failure has a direct impact on power supply, and the country is faced with power cuts in several States. One of the major factors in the present power crisis is the poor maintenance of power generating units. Considerable progress has been made in the matter of preventive maintenance in advanced countries, and we need to bring to the management of our power generating units modern management techniques.

A failure of monsoon has also indirect repercussions on the economy. Firstly, it involves import of foodgrains and a consequent drain on our foreign exchange reserves, though fortunately such imports are likely to be marginal in relation to our domestic production and consumption. Secondly, a shortage of foodgrains leads to a rise in their prices, and consequently, to a rise in wages and a difficult labour situation. Finally, the extensive power cuts are likely to have an adverse impact on the rising trend in industrial activity, which was noticed in the first nine months of 1972.

After its poor performance in 1971-72, industry had begun to show signs of an upturn in the first three quarters of 1972. This upsurge was led by cotton textiles where plentiful and cheap supply of cotton helped to stimulate both production and demand for cotton textiles. However, this would have given only about a 2 to 2.5 per cent gain to the industrial production index; the

much larger rise in the index suggests that recovery in industrial production is more broad-based. Gradually, it is becoming apparent that demand is catching up with production facilities in a number of industries. The Government should try to bring about the rapid rehabilitation of sick cotton textile mills, and provide for expansion of the cotton textile industry to provide for greater domestic availability and increasing exports. It should also consider the possibility of extending the existing list of industries in which it has allowed freedom of production above licensed capacity.

The picture in the tertiary sector is not so satisfactory. The level of railway traffic and wagon-ordering remains low, though currently steps are being taken to improve the working and efficiency of railways. Power generation, as I mentioned earlier, has been affected by poor rainfall; its impact will be felt on industrial production during the period September 1972 to June 1973.

India's exports have shown a welcome rise in the first nine months of 1972, though it must be recognised that the rise reflects essentially a fulfilment of the aid commitment to Bangladesh; it is only to the extent that we are able to consolidate the gains out of aid in the form of long-term commercial entry into the Bangladesh market that we would benefit from this trade. On the other hand, with renewal of foodgrain imports, our import bill is likely to rise substantially in the first half of 1973, and the comfortable foreign exchange reserve situation which we have so far enjoyed is likely to be impaired to some extent in the coming months.

At no time in the last 20 years has the banking system shown such liquidity as during 1972. To some extent, this was a result of the more rapid ac-

cretion of banking deposits. However, the main factor in the considerably relaxed credit situation throughout 1972 was the low demand for credit from the industrial and trading sector. In fact, the Government sector seems to have been responsible for whatever little expansion has taken place in demand for bank credit. With a poor harvest and continued increase in money supply, the price situation worsened, the average rise in price level being 12 per cent in 1972.

Summing up, I would consider that except in industrial production, there was a marked setback in the economic situation in 1972; moreover, the aftermath of this setback is likely to be felt at least till the middle of 1973.

NEED FOR FRESH THINKING

The Government needs to determine its economic policy in the light of this situation and its long-term goals. Gradually, thinking is getting crystallised on the long-term objectives. The Planning Commission has come out with an Approach Paper on the Fifth Plan. It accepts the basic philosophy of having a time-bound programme for providing minimum subsistence to all as the main objective of planning, and proposes a development strategy intended to achieve this objective. This represents a major advance in our planning effort.

However, increased welfare is clearly related to enlargement of the national cake, and it is on policies related to this aspect of planning that the achievement of the new planning objective depends.

It is in this field that we need to do fresh thinking on planning and policy issues. The experience of the last four years shows that hesitation in taking policy decisions leads to a situation of drift. While we could afford such drift in a situation of expanding agricultural production and relatively stable price level as during the last four years, we can hardly afford to stand still in the context of increasing supply of labour, and demand for creation of employment opportunities. The only means of creating employment opportunities is revival of investment activity.

In development, time is the commodity in shortest supply. As expectations rise, the dangers of standing still, of letting time pass, multiply. This is particularly so in a democratic set-up where the Government has to be responsive to, and keep up with, people's expectations. A situation of immobilism creates its own counter-action in the form of restlessness.

There is no worse example of the cost of delay and indecision than our oil programme. Oil exploration has been going on at a slow pace, and a

firm decision on drilling at Bombay High was avoided for a long time. As a result, our import bill on oil has been increasing rapidly, and, given our requirements of oil under the Fifth Plan, is likely to increase even more rapidly during the coming years.

Further, the impact of any investment decision is felt on production only after a lag of time. The impact of the failure to invest during the last three years will be felt in production which would be lost in the coming three years. Taking only one example of cement, during the last two years cement-machinery-making plants have suffered from excess capacity owing to lack of orders. Simultaneously, cement is beginning to get in tight supply, and in the next two years, there is likely to emerge a sharp shortage of cement. The recent decision to seek foreign help for setting up five large fertiliser projects is another consequence of the failure to make the most of time when it was available. Such alternate bouts of investment, famine and excesses lead to waste of industrial capacity through non-usage, loss of market opportunities and a distortion of planning decisions.

MANAGING THE ECONOMY

The long run problem of development will be taken care of by decisions now being taken on the Fifth Plan. The coming twelve months will see the emergence of a broad policy framework within which such decisions will be taken.

Since 1951 when we commenced planning, the country has come a long way: from being a producer of a few industrial goods, we have built up a vast industrial structure which is inter-related. This is evident from the fact that while a shortage of steel would hardly have had any impact on the country in 1951, today it has widespread repercussions on production in different sectors and thus on the economy. Secondly, apart from its general powers, the Government now controls, through banks and finance institutions, most of the financial resources flowing within the economy.

In a sense, these changes have brought about a situation where the Government has acquired powers which could deal with the situation it seeks to control. For, it has to be realised that the task of controlling an economy becomes more complex as the economy becomes larger and its production structure gets integrated. Formerly, a stoppage of investment in, say, the cement industry meant that imports of cement machinery were stopped, thereby also saving foreign exchange; today a

stoppage in cement expansion has a chain reaction on the domestic industry, leading to idle capacity in cement machinery units, their ancillary suppliers and so on. Shortage of cement also affects road and other construction activities, and thus retards the growth of employment opportunities. This has actually happened in the case of coal and railway wagon demand, and is responsible for the slackness in the engineering sector. In fact, the economy has so developed during the last twenty years, that the minimum level of investment required to keep it fully operative has increased considerably. The present slackness in the economy indicates that investment is not taking place at the level required.

Given these inter-relations, the task of managing economy has also become more difficult. Any official decision at one point — for example, import of components — has far-reaching repercussions all along the line. Moreover, the number of decisions needed to be taken is far larger and far more complex than in the early days of planning. If the administrative decision-making machinery is not clogged up today, it is mainly because, with the economy operating at a low pace, the pressure on it is less. The number of industrial licences issued in early-sixties was about 1,500 per year. Even after the recent increase in exemption limit, given the rise in prices and increase in the size of the economy that has occurred, even to maintain the relative rate of investment, the number of industrial licences required to be issued today would be about 2,000 against less than 500 actually being issued.

Whatever the objectives — and let us recognise that there is little difference of opinion within the country on the objectives — ultimately it is on production and investment policies and their effective implementation that the attainment of the objectives depends. Experience has shown that the period of implementation — of gestation — of projects has been unduly long, and that plan achievements have been at least 10 to 15 per cent below targets. This is not because the targets were ambitious; by any standards the targets have been modest. What has held up implementation is the slow pace at which the administrative machinery functions.

With the vast degree of Government intervention in the economy — the latest examples are amendments to the company and foreign exchange laws — it is necessary to recognise that the Government has become the fifth factor of production. It is necessary that the Government carries with it the support of the industrial community in the va-

rious measures it proposes for industrial revival and reforms.

The need to maintain over-all supervision over, and direction of, the economy will continue in future. The broad contours of the development strategy would be laid down by the Planning Commission. Within this framework, the Government needs to consider whether the procedural machinery and administrative restraints are in consonance with the requirements of the economy and whether the Government cannot achieve the same objectives through different means.

Rate of Investment

It is here that the Government, through its control of financial resources, can make its policies more effective without making the administrative machinery more cumbersome. Today, no large investment proposal, whether for a new project or expansion of an existing undertaking, can go through without the banks and finance institutions being involved in its financing. It is necessary that the Government takes specific measures to improve the climate. In this connection, I am glad to note that the Government is examining the problem regarding resumption of forward trading in shares.

If the economy is to take off, the rate of investment in industry will have to increase manifold over its present low level. In terms of existing administrative machinery, it will involve issue of 2,000/2,500 industrial licences per year, an increase (though not to the same extent, thanks to the development of local production facilities) in import licences for capital and current goods, and capital issues consents of Rs 300 crores per year (against about Rs 100 crores at present). It is necessary that we adapt our policies and gear our administrative machinery to deal with this volume of business, if it is not to act as a bottleneck to industrial expansion. Government proposes to generate larger incomes in the low-income groups. This will have its impact on the demand pattern in the economy. In the field of industry this requires that the Government takes responsibility only for laying down targets for key or core sectors of industry. The industrial sector should be left free to respond to the demand situation created by the Government's development and income policies, and to propose investment programmes in the light of the market conditions in the economy. Project costs have been rising, particularly over the last four years which have seen inflationary trends persist even in advanced countries. Under the existing exemption limits, the number of projects needing industries licensing would be large when

industrial investment picks up; I suggest that the Government consider the possibility of increasing the investment limit for industrial licensing from the present Rs 1 crore to Rs 3 crores letting all investment below Rs 1 crore free. This will reduce the burden on administrative machinery and facilitate the flow of administrative decisions.

In this context, it is also necessary for the Government to adopt a clear policy on industrial growth. The rate of investment required in industry and the rate of growth of industrial production envisaged under the Fifth Plan are much greater than have been achieved during the past five years. If these targets are to be achieved — and the situation hardly allows the Government any choice in this matter — it is not possible to continue with a drift in industrial policy. In this connection, I welcome the recent announcement of the Government redefining the large houses and widening the scope for its operation by enlarging the core sector. With this clear enunciation, I do hope that new investment will be resumed vigorously.

In the past, established houses are estimated to have been responsible for approximately half of the industrial investment in the country. The Government cannot expect to decapitate this sector without filling the gap so created by finding other entrepreneurs. This will take time; in the meanwhile, what the Government should try to do is to lay down the conditions — like broadening of shareholding — under which investment by established houses would be allowed and to provide appropriate incentives to smaller entrepreneurs to enable them to grow faster.

The Government has recognised the need for a more flexible, pragmatic approach in respect of off-shore oil exploration. Foreign capital does not bring in only finance, but it also gives the country access to new technology, management and marketing techniques. It is to be hoped that the Government will gradually extend this pragmatic approach to other sectors of the economy.

One other aspect of the current inflationary trends is the rising cost of projects. Apart from creating problems of raising finance, it also creates problems of viability of projects — particularly in the context of a price freeze, formal or informal, on the products of the industries. The Government does need to give thought to the inhibiting impact of such price freezes on investment, in the light of the growth requirements envisaged for the industries concerned.

Implementation of an industrial programme is not only a matter of wishing it or of setting targets. Hard decisions have to be taken in respect of choice of agencies, allocation of resources, and

giving of administrative sanctions. This is the time when the Government, learning from the experience of the recent past, should work out a clear policy for industrial growth. Planning can be effective at the implementation to the extent it involves people in the planning effort.

ICICI's Operations

During the year under review, the Corporation augmented its rupee resources by an issue of debentures of Rs 7 crores. This was our third debenture issue on the capital market. As regards foreign currency resources, we have approached the International Bank for Reconstruction and Development, the Kreditanstalt fur Wiederaufbau and the British Government for further lines of credit; we hope to receive them during the current year.

Income of the Corporation from interest, dividends, underwriting commission and other resources amounted to Rs 1,373.62 lakhs in 1972 (Rs 1,152.59 lakhs in 1971). Interest paid on loans and other expenses during the year amounted to Rs 992.55 lakhs (Rs 817.51 lakhs in 1971). Profits before tax amounted to Rs 381.07 lakhs (Rs 335.08 lakhs in 1971). Out of this, provision for taxation has been made at Rs 191.74 lakhs (Rs 155.81 lakhs in 1971). Of the balance of Rs 189.33 lakhs (Rs 179.27 lakhs in 1971) carried to the appropriation account, Rs 111.33 lakhs (Rs 104.27 lakhs in 1971) has been transferred to the General Reserve, Rs 30 lakhs (Rs 30 lakhs in 1971) to Reserve against Doubtful Debts and Rs 48 lakhs (Rs 45 lakhs in 1971) to Special Reserve; in addition, the whole of the capital gain of Rs 43.77 lakhs (Rs 48.69 lakhs in 1971) after taxation has also been transferred to Capital Reserve Not Available for Dividend. The directors are glad to recommend a dividend of 10 per cent (10 per cent in 1971).

Shri. Kasturbhai Lalbhai, who had been a Director of the Corporation since its inception, resigned his directorship in January 1973. The Corporation benefited considerably from his advice and guidance. His keen business acumen, understanding of industrial and financial problems, and a broad vision of the tasks facing the Corporation in its infancy have raised its stature to the present level. I wish to record our sincere appreciation of his valuable services to the Corporation and his mature judgment and sober counsel in the affairs of the Corporation since its inception 18 years ago.

Finally, I would like to mention that this Corporation has continued to receive from its staff devoted service; I take this opportunity to express my sincere thanks to them.

February 15, 1973.

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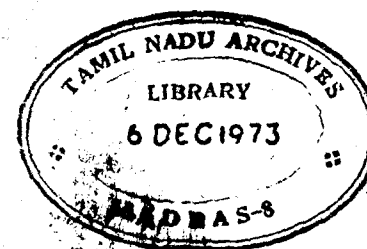
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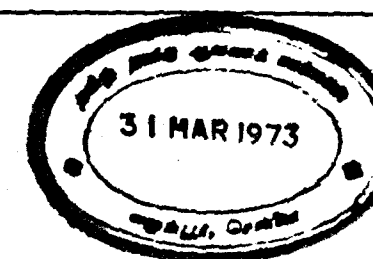
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Rs 1.50 Vol VIII No 12 March 24, 1973



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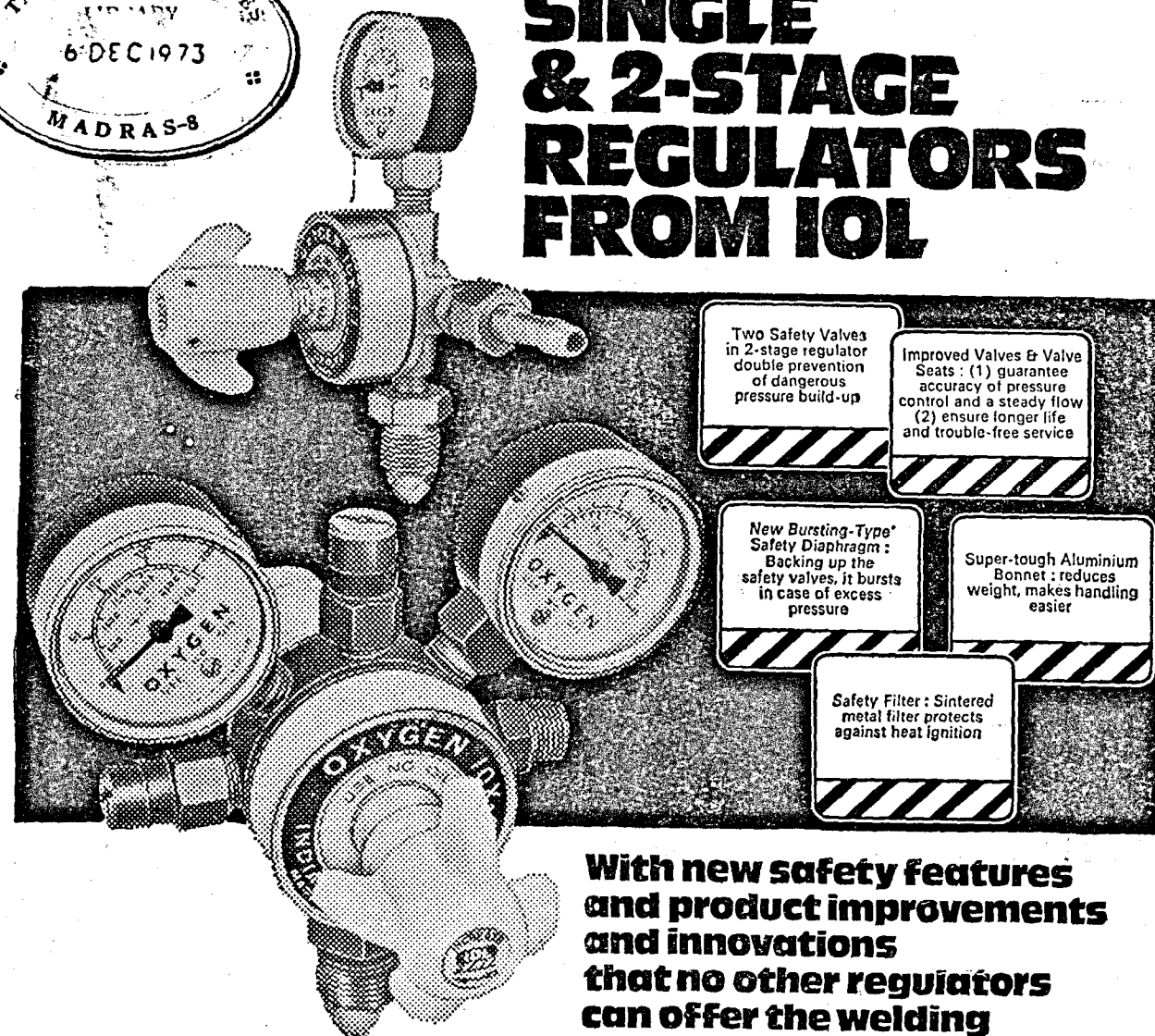
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Ashok Rudra

ECONOMIC AND POLITICAL WEEKLY
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A Policed Democracy?

THERE is a certain pattern here. At one end, newspapers carry pictures of how state governors are busy taking the salute at police parades and how — with the ghost of British colonialism lurking all over — in such parades, even the dog squad is not left out. At the other end, there are increasing reports of indiscriminate firing, indulged in on apparently the flimsiest of pretexts by the police, including the CRP, on unarmed crowds, whether it be in Andhra Pradesh, Orissa, Madhya Pradesh or Gujarat. As prices soar, discontent among the masses of people, particularly those who are pegged to fixed wages or those who are denied any means of livelihood, begins to mount. The discontent finds expression in diverse manners. The particular incident which brings about a confrontation between the police and the people varies from place to place, but it is passion germinating from the scarcity of essential commodities and the rising tempo of inflation which is working itself out. There is little attempt on the part of officialdom to squelch this passion with an understanding sympathy. Trigger-happiness would appear to have taken over. In a country with 570 million odd people, of whom the majority live in unspeakable squalor and poverty, a unit of human life is, on occasion, in financial terms not worth even a quarter of what is annually spent on an individual member of the police dog squad. Once the creeping virus of authoritarianism spreads among the ruling circles, the message travels down fast among the ranks of the police. As those in power become insensitive to the mainstream of popular sentiments, the predictable response mechanism makes them fall back on the matrix of impatience. Impatience, in turn, nurtures the temptation to resort to summary solutions, including the invocation of the forces of law and order. From that point, it is a short haul for the police to take the cue and spray just any demonstrating crowd with bullets.

A statistical analysis would provide evidence of a gradual shift in the sentiments of ruling politicians towards the police. Apart from other things, there has been in recent years a sharp increase in the number and frequency of awards to the members of the police force; *sewa padaks* of this or that kind are experiencing an inflation of their own. There is also a developing pattern of lionising individual police officials, which goes ill with the supposedly democratic character of our system.

This in a way complements the continuous pampering of the defence forces. General Manekshaw has not only obtained his elevation as Field-Marshal; he is also now entitled to a special additional pension of sixteen hundred rupees per month; similar dispensations are being arranged for the chiefs of the naval and air commands of the Bangladesh operations. There are two separate aspects of the matter which deserve comment. First, an impression is being sought to be created that the service chiefs, in their individual capacity, had something special to contribute to the victory over Pakistan; the fact that it was a mere quirk of accident that these particular individuals were in charge of the respective commands in November-December 1971, is being conveniently brushed aside. Second, there is no mention of whether along with the chiefs, the contribution of the rank and file of the services, too, would be recognised and rewarded. If the vanquishing of Pakistan is a glory which devolves almost exclusively on the defence services, the rewards to go with this glory should be evenly shared by each and all belonging to the services. To pick only the three defence chiefs for showering favours not only indicates a blatant anti-egalitarianism, but also lends ground for suspicion that all this is part of something else.

If one adds the expenditures under the current as well as the capital accounts, this country, it will be seen, is spending away on the police and the defence services an aggregate sum which is even greater than the overall developmental expenditure each year. There is scarcely any justification for this order of expenditure on the forces of law and order in a developing country which calls itself a democracy. Gratitude is not an inconsiderable virtue, but an excess of it may have other implications.

French Elections

The 'New Liberalism'

FRENCH and other hearts went pit-a-pat, it now seems, for altogether unfounded reasons. The innate conservatism of the bourgeoisie re-asserted itself in the final round of the French elections; the Gaullists are back in power with a comfortable even if reduced majority. Those of the commentators who were waxing eloquent on fundamental shifts that had allegedly taken place in French political attitudes in the course of the past five years have thus been robbed of their avocation. The so-called combination of the Left — consisting of the Communists, the Socialists, and the Radicals — has but one meagre solace yet; in terms of aggregate votes cast, they polled as much — 46 per cent — as the Gaullists and the Centrists who banded together against 'totalitarian communism' on March 11. However, given the gerrymandering of the constituencies — which was done in 1958 in order to whittle down the possibility of the Communists being elected — in too great a strength — the Left would have needed a clear advantage of something like six to seven per cent of aggregate votes over their opponents to obtain a majority in the French Assembly. This was not to be. Irrespective of how they voted on March 4, on the following Sunday, several thousands amongst the bourgeoisie in constituencies where the Left candidate was a Communist failed to come to the aid of the anti-Gaullist cause.

In final sum, the results of the French elections highlight once again the absurdities which embellish the various definitions of parliamentary democracy. As a proportion of total votes polled, the Socialists got two per cent less than the Communists; but they have ended up having sixteen seats more — eighty-nine against seventy-three — than the Communists. You can institute a proportional representation system, and yet obfuscate it by so many limiting clauses or constraints that it can work out to be even more inequitable than a straightforward simple majority system. For, it is altogether possible that, if it were a question of a simple majority and only one round of voting, the different parties in the just-concluded election in France would have joined the fray

without any mutual arrangements among the relatively like-minded ones. The outcome then might well have been a much larger number of seats for the Left groups than has actually been the case.

But all this is infructuous speculation. What matters perhaps even more, is that perhaps nothing matters: whether it is a combination of the Left which comes to power in France, or whether it is the Gaullists and their conservative allies. The Soviet Union has been one of the first nations to express 'satisfaction' over the Gaullist victory. Apparently, according to Moscow, this would lend stability to the political arrangements worked out in Europe in recent years. International alignments between communist parties have become increasingly tenuous over the past decade. The reaction to the results of the French elections indicates that they have almost ceased to matter. One should, therefore, be hardly surprised if a communist regime discovers its best friends amongst assorted fascist or neo-fascist governments in other lands and other climes. This, presumably, is what is meant by the statement, often heard, that a new liberalism is abroad.

Currency Crisis

Multinationals' Mischief

THE world money markets reopened at the beginning of this week, after remaining closed for over two weeks, with a general agreement among the G-14 countries. The agreement, however, appears to relate only to the ground-rules to be observed during the regime of floating rates. The feeling seems to be gaining ground, especially in Europe, that floating exchange rates are not going to be a temporary phenomenon but might soon get established as the centre-piece of a new international monetary order capable of dealing effectively with the menace of speculators.

But whatever the merits of a regime of floating exchange rates in making life somewhat difficult for speculators, it is unlikely to be accepted as a long-term alternative to the par value system. A system of floating rates will expose speculators to risks only if they are unable to push a country's exchange rate in the direction they want. But given the vast amounts of liquid funds

with the multinational corporations, which are estimated to total over \$268 billion, and the Eurocurrency deposits amounting to \$ 100 billion, it would be dangerous to leave exchange rates at the mercy of speculators. They could cause great harm to world trade and payments arrangements by distorting exchange rates. Once the speculators acquire enough expertise to manipulate it to their advantage, a regime of floating rates may also soon prove to be unworkable.

The Committee of Twenty which is meeting in Washington will have to take its job more seriously than it has done so far. What has been said at the press conferences of the Chairman of the Deputies is enough to indicate that progress towards agreement on even some elementary issues has been exceedingly slow. The Committee of Twenty would now have to give the highest priority to the problem posed by speculators. Other issues like the ideal adjustment mechanism or the characteristics of the basic reserve asset and the asset settlement mechanism are important, but discussion on them will prove to be of academic interest only so long as the conditions necessary for the working of such an ideal system are not created.

The basic conflicts between the Americans on the one hand and the other developed countries on the other are likely to find greater expression in the forthcoming deliberations of the Committee of Twenty. The US government, sweetly disposed as it is towards the multinational corporations, would not like to check the dangerous games they play at the cost of the European countries and Japan. The US government has often categorically stated that it wants to earn a trade surplus of \$ 8-12 billion a year to finance its export of capital which it intends to make more liberal. This outflow of US capital is leading to the progressive takeover of European industrial and trading companies by Americans. The total value of output produced by American multinational companies in foreign countries is around \$ 300 billion a year which is much more than the GNP of any of the OECD countries, excluding the US.

Given the state of relations between the US and the European countries, the latter may be prepared to accept the free flow of long-term investment capital among the OECD countries. But they are unlikely to be persuaded that

the multinational corporations should be left free to disrupt the world monetary system at their cost. The Europeans as well as the Japanese are afraid of the likely retaliation by the US and so, while they resent the role of the US multinational corporations in creating currency crises, they cannot afford to be too blunt. The NATO, under which the US annually spends over \$ 15 billion for European security and the nuclear umbrella provided by the US to Japan all come in the way of action being taken against the large US corporations which have a decisive voice in American politics. Moreover, as foreign trade accounts for a relatively small proportion of its GNP, the US can afford to start a trade war without much damage to its economy. All the same, the Japanese so far have ingeniously managed to keep out the flood of American capital through numerous devices, including impregnable exchange control measures.

Whether a reformed international monetary system would in the end prove to be viable would depend on whether it contains sufficient provisions for countries to defend their currency parties against the onslaught of massive capital flows. The Bretton Woods system did provide for controls on hot money movements, though these were not put to much use during the 1960s when payments arrangements were greatly liberalised. Now finally the Bretton Woods system has broken down primarily because it did not provide a proper adjustment mechanism for correcting untenable exchange rates and imbalances in payments. Even if the current discussions on international monetary reform succeed in evolving a better adjustment mechanism, the reformed system will still not succeed unless it is able to provide more clear-cut guidelines for controlling the vastly increased powers of the multinational corporations as well as the destabilising influence of the Eurodollar markets.

The Committee of Twenty will find its discussions dragging on unproductively unless the Americans on the one hand and the Europeans and the Japanese on the other are able to settle their differences. The American proposal put forth some time ago that the level of official reserves should serve as the indicator for automatic exchange rate changes is loaded with mischief. If hot money movements are not brought under control, the Americans will be able to force changes in the exchange rates of any country, under the manda-

tory automatic rule requiring exchange rate changes in response to variations in the level of reserves, by manipulating capital flows to that country.

Given the pre-condition that successful working of a reformed international monetary system would depend essentially on an agreement to bring under control destabilising short-term speculative capital flows, the deliberations of the Committee of Twenty will be fruitful only if the leading industrial countries settle the differences among themselves on this point. The less developed countries who are members of the Committee can hope to contribute hardly anything to these discussions. As happened at Bretton Woods, this time also the basic framework of the reformed international monetary system will be worked out by the developed countries and presented to the developing countries as a *fait accompli*.

Natural Rubber

Not without Restructuring

RUBBER is one of the strategic materials for industry; its products range from giant tyres for jumbo jets to hair-thin washers for pharmaceutical packings. Problems of production and supply of rubber should, therefore, be receiving the constant attention of governments as well as industry. In a monograph entitled "Natural and Synthetic Rubber: Perspective for the Seventies" (Economic and Scientific Research Foundation, New Delhi, pp 96, Rs 15), V P Chitala and P K Roy have attempted to focus attention on some of these problems.

Demand for rubber is not likely to pose a problem in India in the long term. In 1969 per capita consumption of rubber in India was only 0.22 kg as against 1.17 kg in Brazil and 12.96 kg in the US. Even in developed countries like the US and UK, the demand for rubber has been steadily increasing. In India it has almost doubled between 1960 and 1970.

The real problem is inelasticity of supply of natural rubber in response to short-term fluctuations in demand. After planting, rubber takes seven years to start yielding and another three years to reach maximum production. Further, more than 50 per cent of our production of natural rubber comes from thousands of small holdings, with the result that it is difficult to ensure quality and to stabilise prices. The synthetic rubber

industry, on the other hand, is capital intensive, oligopolistic in character, and very often vertically integrated. It has been maintaining stable prices since 1954 and has also been supplying tailor-made products for specific uses. It is true that for a few uses there is as yet no synthetic substitute for natural rubber. But countries or areas within countries whose economies are dependent on natural rubber cannot ignore the changing pattern of consumption. From 4 mn tonnes in 1960, world consumption of rubber rose to 7.8 mn tonnes in 1970. The share of natural rubber in total consumption, however, came down from 60 per cent to 40 per cent. In India natural rubber's share in total consumption is still high at 65 per cent. This is because the production capacity for and imports of synthetic rubber are regulated by government to ensure adequate offtake of natural rubber.

But this protected market which the natural rubber industry enjoys today may not last forever. The natural rubber industry will not be able to increase its production beyond a point, as very little new area is available for planting with rubber. And the limit may be reached by the end of the Fifth Plan. After that it would be difficult to resist the demand for setting up more plants for manufacture of synthetic rubber. As the synthetic rubber industry is capital intensive, the capacity of an economic unit would be a minimum of 30,000 tonnes per annum, if not 50,000 tonnes. One such unit would thus be enough to upset the present ratio between natural and synthetic rubber in total consumption. Again, new synthetic rubber units which come up in future will have petroleum products as raw material unlike the existing one which uses alcohol. If that results in a significant cost advantage for synthetic rubber, the natural rubber industry may be in trouble. The prices of natural rubber in India are nearly double that in Malaysia where it was found that with every 100lb increase in yield, there was a reduction of 2 to 3 cents in cost. In India, on the other hand, higher yield is being absorbed by increasing costs.

The natural rubber industry in India is concentrated in the south, 92 per cent of the planted area being in Kerala. It is one of the important commercial crops of Kerala. It gives employment, direct and indirect, to more than 2 lakh people and the total value of its

production is about Rs 40 crores. The industry's record in the last decade was exceptionally good. Production increased from 27,644 tonnes in 1961-62 to 101,210 tonnes in 1971-72. The Rubber Board expects production to go up to 200,000 tonnes by 1978-79. Neither the state nor the country can afford to neglect such an industry. It will be unwise to belittle the competition which the industry is likely to start facing by 1980 and to fail to reorganise it in time. It has been claimed that ethrel, a chemical, may help to increase the production of natural rubber. But while it may stimulate production, it has not been established that it increases the total rubber in the tree. For that, high-yielding planting material itself would be required.

The real problem, then, is how to organise replanting on a systematic basis. Replanting would have to be done in such a manner as to avoid big upsets in production and revenue. For that, replanting should be a continuous process with not more than 10 per cent of the area being under replanting at any one time. There are practical difficulties in the way of this. Of the 203,098 hectares under rubber, 68,472 hectares are holdings of two hectares and less and are held by 95,414 small growers. These holdings are mostly interplanted with perennial as well as seasonal crops. Only 66,673 hectares come under 649 estates of 20 hectares and above. Of these, again, not more than 50 are organised as public or private limited companies. The largest estate is owned by a sterling company with 9,000 hectares. The big estates have been under the shadow of nationalisation with little incentive for fresh capital investment.

In the circumstance, will the natural rubber industry be able to continue to expand production at least till 1978-79 and then maintain it at that level while at the same time continuously bringing down prices to compete with synthetic rubber, without a restructuring of the ownership pattern of the rubber plantations?

Sugar

Unmopped Profits

A FORMER President of the Indian Sugar Mills Association had once bemoaned that the sugar industry had lost millions in 1969-70 and would lose even more in 1970-71. As a matter

of fact, in 1969-70 profits of 59 sugar companies showed a 30 per cent increase over their 1968-69 level; and the profits of 42 sugar companies in 1970-71 were about 2.5 times higher than in the previous season. The industry's profits for 1971-72, it is expected, will turn out to be still higher; available results of 12 sugar companies show their profits in 1971-72 to be between 50 and 300 per cent higher. The higher profits are partially reflected in dividend payments: for example, Kesar Sugar Works, whose results were recently published, stepped up dividend from 16 per cent in 1969-70 to 24 per cent in 1970-71 and further 30 per cent in 1971-72.

It has to be borne in mind that profits have risen in this way even as there has been a fall in sugar production over this period—by almost 46 per cent. Government has occasionally admitted that the industry has made sizeable profits. On November 24, 1972, Sher Singh announced that "Government was examining how the extra profit could be mopped up". Since then, the Budget has been presented and passed; it has left sugar untouched—ostensibly on the ground of holding the price line of essential commodities. Meanwhile in order to benefit from the excise duty rebate, sugar factories had begun to crush early in November 1972 and have accumulated a rebate of Rs 5.16 lakhs.

What has the consumer gained from the good fortune of the sugar industry? Despite 1969-70's record production of 4.26 mn tonnes prices did not decline overmuch—thanks to government's release policy. In fact, industry was left with a stock of half the annual production, and the government promised a buffer-stock scheme to bolster the supply in a year of shortage. However, it later shelved the scheme. Production in the next season, viz, 1970-71, declined to 3.7 mn tonnes, and it declined still further to 3.1 mn tonnes in 1971-72. Stocks declined from over 2 mn tonnes to 0.6 mn tonnes at the beginning of the current season—hardly sufficient to meet eight weeks' demand. Industry used the decline to create an atmosphere of impending sugar famine. Government co-operated by increasing the minimum price of sugarcane as well as the levy prices. It also granted substantial rebate in excise duty.

The current season's output was placed by government in October last at 4 mn tonnes at least. The estimate

was reduced to 3.6 mn tonnes in November 1972. Industry, on the other hand, estimated output at 3.6 mn tonnes in October, and in December revised it to below 3 mn tonnes. With four months' production figures announced a few days ago, it is now clear that production during the year will total at least 3.6 mn tonnes. The food Minister announced that, going on the basis of a demand of 3.7 mn tonnes, requirements of sugar would be fully met this year. In any case, since government controls the monthly release of sugar, the equation between demand and supply is formally established. The average monthly release of sugar—both for levy and the free market—has been progressively cut so that the annual total has declined from 4 mn tonnes to 2.75 mn tonnes. At this rate, it is quite likely that the year's closing stock will be about 300,000 tonnes more than its opening stock. Meanwhile, the free market average annual price of one quintal of sugar had gone up by about Rs 100 in 1971-72, and has since remained almost unchanged. Indeed, free market prices declined from Rs 385 in October 1972 to Rs 380 by the middle of March 1973. There was an attempt to bolster up prices prior to the Budget in the expectation of an increase in the excise duty on sugar. But since the Budget left the excise duty on sugar unchanged, the price slipped back to Rs 3.30 per kg. It is possible that if the free market price of sugar has not risen it is the result of the continuous rise in prices of other essential commodities which has eaten into the budgets of middle class consumers.

Vietnam

Claiming Credit

A Correspondent writes:

MAO TSE-TUNG was reported to have told Madame Binh, Foreign Minister of the PRG of South Vietnam, that by humbling the US imperialists the Vietnamese people had rendered a great help to China. The Soviet Union, by contrast, seems to be keen to parade the Soviet contribution to Vietnam's victory. *Soviet Review*, one of the periodicals published by the Information Department of the USSR embassy in New Delhi, reproduced in its issue of February 26, 1973, a recent *Izvestia* article, written by Dang Quang Minh, ambassador of the PRG of South Vietnam in Moscow, under the caption "Victory of Vietnam is the Victory of

Soviet-Vietnam Friendship". It has also circulated a backgrounder entitled "Soviet Contribution to Vietnamese Victory".

In his article, Ambassador Minh of course acknowledges the "noble, all-round and effective aid and support" from the land of the Soviets, but, and very rightly, only after registering the more basic contributions of (i) the Vietnamese people, (ii) the correct political line of the leaderships of both North and South Vietnam, and (iii) the cohesion, heroism and militant solidarity of the peoples of the three countries of Indochina. He also brackets the Soviet support with that from "other socialist countries, all progressive mankind including the American peace partisans", before singling out the USSR for expressing his gratitude.

The backgrounder is simply a string of nine excerpts from messages and speeches of Vietnamese leaders, including Ho Chi Minh, Le Duan and Le Duc Tho. Seven of these were delivered

on ceremonial occasions like the Soviet Party Congresses, Lenin's birth centenary, 50th anniversary of the November Revolution, etc, and all of them had been delivered during the period beginning from the 23rd CPSU Congress in 1966 and ending with the session of the 24th Congress on April 2, 1971. The last two are dated January 30 and 31, respectively, i.e., after the signing of the ceasefire agreement in Paris. Significantly, there is not a single piece in the collection of excerpts that refers to the Soviet role during the entire period between April 3, 1971 and January 29, 1973.

Nobody can deny the importance of the material contribution from the Soviet Union and China to Vietnam's war of resistance and liberation. But if the Soviet propaganda efforts are designed to disarm critics of the Soviet role during Nixon's barbarous escalation of bombing and blockading of Vietnam, the exercises of the Soviet embassy in New Delhi are a case of *non sequitur*.

CREDIT POLICY

A Bundle of Trivia

(From a Special Correspondent)

FOR quite some time it had been in the air, that the Reserve Bank was having a fresh look at its credit and monetary policies. While announcing the credit policy for the current busy season in November 1972, the Governor of the Bank had promised "a mid-season review at a meeting with bankers towards the end of January or beginning of February 1973". More recently, the Finance Minister had told the Lok Sabha that "a detailed study of the interest rate structure of the banking system has been undertaken by the Reserve Bank with a view to evolving guidelines for preventing unhealthy competition among the banks for large accounts". The expectation that the Reserve Bank was up to something was strengthened also by the putting off of the meeting of bankers for the mid-season review of credit policy, which the Governor had slated for end-January or early February, till the middle of this month.

And, given the trends of monetary expansion and price rise, some signs of thinking and action from the country's central bank had definitely become overdue. In the current financial year, upto March 3, money supply had expanded by as much as Rs 943 crores

(11.6 per cent) as against Rs 814 crores (11.3 per cent) in 1971-72. Almost the entire expansion has been due to a continuous rise in net bank credit to government which has gone up by Rs 1,120 this year, or over Rs 250 crores more than the increase of Rs 855 crores in 1971-72 which itself had been abnormally high. The government and the Reserve Bank have been making pointless distinctions between government borrowing from the Reserve Bank and from the commercial banks, from the standpoint of its impact on monetary expansion. The distinction might have had some justification if government were resorting to commercial bank credit so as to minimise its reliance on the Reserve Bank. Actually, government borrowing from both has expanded faster this year than in any year in the past. Thus net Reserve Bank credit to government has risen by Rs 630 crores so far compared to Rs 565 crores last year and commercial bank credit to government has gone up by Rs 490 crores compared to Rs 300 crores last year.

BUSY SEASON DEVELOPMENTS

While this is the picture for the financial

year as a whole, developments in the current busy season have further accentuated the disquieting monetary trends. First, during the busy season so far commercial bank credit to government has contracted by Rs 110 crores, but against this government borrowing from the Reserve Bank has bulged by Rs 416 crores compared to Rs 232 crores in the 1971-72 busy season. Second, net bank credit to the commercial sector, which had exercised a moderating influence on money supply for the last two years, has already expanded by Rs 439 crores as against Rs 271 crores in the 1971-72 busy season.

The credit expansion in the busy season has been beyond everybody's expectations, and certainly beyond the Reserve Bank's. Net of food procurement, the Reserve Bank had placed the likely expansion in bank credit in the busy season at Rs 500 crores. On the eve of the busy season it had thought that developments during the season would not "materially effect the generally high liquidity position [of the banks]". On the other hand, it had felt that "banks would be in a position to add further to their investments". Even after reviewing the credit trends upto the middle of January, the Government's Economic Survey for 1972-73 had found "no evidence as yet that busy season pressures had started straining the resources of the banking system" (p 57). The sharp pick up in credit thereafter has, however, caught both the government and the Reserve Bank napping. As a result, during the season upto March 9, the expansion in scheduled commercial bank credit has been Rs 720 crores (13.8 per cent) which is more than double that in the comparable period of the last busy season (Rs 314 crores or 6.5 per cent). The rise is seen to be even sharper if food procurement credit is excluded—Rs 691 crores (14 per cent) against Rs 281 crores (6.3 per cent).

This unprecedented expansion of bank credit in the current busy season calls for some explanation. The official explanation leans heavily on the rise in industrial production. The index of industrial production (base: 1960=100) rose by over 7 per cent in the first nine months of 1972 compared to a rise of a little over 2 per cent in 1971. These statistics are unimpeachable, but the question is: would a 7 per cent increase in industrial output over a low base, even if it were spread over a wide range of industries, justify such a steep increase in bank credit? Besides, the rise in the index of industrial production had started as early as in January

1972. The price level in 1972 was also higher than in 1971. Yet demand for bank credit remained subdued for full one year, upto the end of December 1972. In the first four months of 1972 bank credit (net of food procurement) expanded by Rs 135 crores as against Rs 223 crores in the corresponding four months of 1971. The following slack season period (May to October 1972) saw an increase of hardly Rs 33 crores in credit for purposes other than food procurement. The first two months of the current busy season also saw hardly any credit expansion. In fact, more than half the increase in bank credit in the current busy season so far (Rs 369 crores out of Rs 720 crores) has taken place in the six weeks from the beginning of February to March 9, which is phenomenal compared with the increases of Rs 48 crores, Rs 82 crores and Rs 145 crores in the corresponding six-week periods of the busy seasons of 1971-72, 1970-71 and 1969-70, respectively. Thus, the pick up in credit has intriguingly coincided with the widespread power shortage in different parts of the country.

If the rate of growth of industrial output does not adequately explain the credit spurt, neither does any possible improvement in industrial investment in the private sector. The overall picture of industrial investment in 1972-73 is one of lack of buoyancy. The disbursements of term-lending institutions in the first nine months of 1973 were lower than in the same period of 1971. The volume of capital raised (other than by bonds issue and excluding two very large debenture issues) was almost the same as in last year. The value of licences for import of capital goods approved in the first nine months of the current fiscal year is, according to the Economic Survey, only marginally higher than that in the corresponding period of 1971-72. Thus all indices of the levels of activity in the private industrial sector point away from a surge of demand for bank credit from this sector. At the same time, it is well known that there has been no sharp rise in credit to the priority sectors.

CREDIT TO PUBLIC SECTOR

The conclusion is thus inescapable that a very large part of the rise in bank credit has gone to public sector units of different hues: state electricity boards, state financial and industrial development corporations, national and state textile corporations, the Cotton Corporation, among others. The bank-wise distribution of bank credit (other than for food procurement) also pro-

vides some indirect evidence in support of this presumption. Thus credit expansion by the State Bank and its subsidiaries during the current busy season so far has amounted to Rs 290 crores, i.e., 45 per cent of the total expansion of Rs 640 crores for all the scheduled commercial banks. The figure for the 14 nationalised banks taken together is only Rs 286 crores, or less than that of the State Bank. It is, of course, possible that the State Bank has managed to snatch some big, as well as small, accounts from other banks. But the major explanation appears to be that government bodies and corporations have a heavier weightage among the State Bank's clientele than in those of other banks.

In sum, the current credit and monetary situation can be summarised thus: (a) there has been a persistent and large increase in money supply; (b) whereas hitherto net credit to government was mainly responsible for this increase, net bank credit to the commercial sector has also become an expansionary factor in the last few months; and (c) within the commercial sector, it is credit to public sector bodies that is mainly responsible for the steep increase in the bank credit. Given this situation, the prospects for the next few months are of a continued expansion of bank credit. The sanction of credit limits to public sector bodies is not subject to even the perfunctory scrutiny which banks exercise in respect of credit demands from the private sector. Then there is food procurement; even if a modest 7 mn tonnes of wheat are procured in the coming rabi season, the level of food procurement credit would go up from Rs 314 crores (on March 9) to over Rs 800 crores by July. It is against this background of the current and prospective monetary situation that the Reserve Bank's credit policy measures, announced at its meeting with the commercial banks on March 17, have to be viewed.

The salient features of these measures are: (i) raising of the minimum net liquidity ratio (NLR) for determining the interest rate at which a bank can get refinance from the Reserve Bank, from 37 per cent to 36 per cent, and an increase in the Reserve Bank's refinance rate from 7 per cent to 8 per cent for the first one percentage point fall in the NLR; (ii) liberalisation of Reserve Bank refinance at the Bank rate for food procurement credit by raising the norm from one-third of the incremental credit to one-half, over the level at the end of October 1972; (iii) bringing of advances to government bodies under

the Credit Authorisation Scheme; and (iv) raising of interest rates on deposits of selected maturity periods.

IRRELEVANT CHANGES

None of these measures except the one to bring credit limits to government bodies within the purview of the Credit Authorisation Scheme (CAS) is relevant to the existing credit and monetary situation. In respect of credit limits to public sector units, prior authorisation from the Reserve Bank will be necessary for working capital loans, of Rs 3 crores and above and for term loans of Rs 1 crore and above (The corresponding limits for loans to the private sector are Rs 1 crore and Rs 25 lakhs, respectively.) It remains to be seen whether this will result in the imposition of a measure of financial discipline on public sector bodies who have so far taken free recourse to commercial bank credit to finance activities which should be, and were being financed by budgetary allocations from state governments. At the very least, the CAS might delay somewhat the sanctioning of over-liberal credit limits. Also, the commercial banks may be able to use the CAS to resist to an extent pressures from local politicians (not, of course, that the Reserve Bank is impervious to such pressures.)

As for the changes in deposit interest rates, a comparison of the proposed rates with the existing ones brings out the irrationality of the whole exercise. First, a uniform interest rate of 7 per cent is prescribed for deposits for periods ranging all the way from two years to five years. The difference in interest rates on deposits for two years and on those for five years and over is a mere 0.25 percentage point. Second, the logic of raising interest rates on short-term deposits upto 9 months, while maintaining the existing rate of 6 per cent on deposits for 1 to 2 years, is also incomprehensible. A major proportion of deposits with maturities upto one year (which account for 60 per cent of all fixed deposits) is held by institutions and the case for raising the interest yield for this group of 'depositors' has not been explained by the Reserve Bank. While the cost of deposits to banks has been raised, savers as a class will derive hardly any direct benefit.

If the Reserve Bank's purpose is to push banks to raise their lending rates by making deposits costlier, it is unlikely to be achieved immediately. On the contrary, the prospect is that there may be a sharpening of the competition among banks for the larger accounts. For the State Bank, for instance, cur-

rent accounts comprise 37 per cent of total deposits, compared to just 25 per cent for all banks. The State Bank also enjoys a number of other advantages, such as the availability of treasury balances. The existing differences in the cost of deposits to different banks are thus likely to get accentuated and, in the absence of a minimum lending rate, big banks like the State Bank will be in a position to offer relatively lower lending rates without impairing their overall profitability.

It is incomprehensible why the Reserve Bank has not sought to put an end to the competition among banks for the larger accounts by a straightforward measure like a minimum lending rate. The existing restrictions on transfer of accounts are reported to be by and large inoperative. Since most large borrowers have credit limits with more than one bank, they can play one bank against another and secure a reduction in interest rates without actually moving their account from one bank to another. The Reserve Bank's reluctance to face the problem squarely has given rise to the impression that its policy-making machinery is unduly influenced by the bigger banks like the State Bank.

NLR INEFFECTIVE

As for the attempt to raise the cost of borrowing from the Reserve Bank by operating on the NLR, it is now well known that banks are not all that sensitive to the working of the NLR mechanism. The exact NLR position of

a bank gets known to it and to the Reserve Bank after a time-lag of six months or so. And particularly when the overall level of borrowing from the Reserve Bank is low and there are liberal refinance facilities available against advances to particular sectors, the NLR mechanism is not taken too seriously. Banks get refinance irrespective of NLR for a part of their export credit, advances to primary co-operative credit societies and food procurement credit. Scheduled commercial banks' borrowing from the Reserve Bank were Rs 198 crores on March 9. Of this, about Rs 120 crores would not impinge on the revised minimum NLR. The current NLR position of the banks stands approximately at 35 per cent, i.e., about 2 percentage points below the new minimum. The banking system as a whole may, therefore, have to pay 2 per cent more only on about Rs 60 crores of its existence borrowings from the Reserve Bank. Even this situation will continue only upto mid-April when food procurement credit will pick up and on every Rs 100 crores of food procurement credit, banks will get Rs 50 crores of refinance at the Bank rate. The banks can thus expect to get at least Rs 250 crores as additional food procurement refinance from the Reserve Bank by July. While the liquidity position may be made somewhat tighter for particular banks, for the banking system as a whole, the changes in the NLR mechanism will not work as an effective brake on credit expansion.

The Third 'R'

(From a Special Correspondent)

THE elaborate exercise the Reserve Bank has undertaken to modify its credit policy for the busy season ending April shows that the central bank still believes it possible to ease the severe monetary pressures arising from the government's sustained and reckless deficit spending by trying to influence components of money supply other than net bank credit to government.

In his last Saturday's letter to bank chairmen, the Reserve Bank Governor points out that "since budgetary deficits are persisting, the aim of credit policy should be to see that net bank credit to the commercial sector does not stimulate further expansion of money supply". In the current busy season net bank credit to the commercial sector has indeed increased more than net bank credit to the government. But what is the con-

text of this net bank credit to the commercial sector?

It has been inflated by at least Rs 120 crores, which is the amount the banks gave the Food Corporation to repay the Corporation's age-old loans from the government and which will not result in even a kilogram of additional grain procurement. This amount should straightaway be deducted from net bank credit to the commercial sector — which would as a result stand reduced for the season to Rs 319 crores — and added to net bank credit to government — which would correspondingly rise to Rs 426 crores. Further, account should be taken of the fact that the Food Corporation has actually repaid the government Rs 200 crores. In other words, FCI has tapped additional credit of Rs 80 crores. This has been done presumably by crediting the proceeds of sales

of foodgrains to the government instead of adjusting them against outstanding commercial bank credit. That is to say, commercial banks have given a further loan — technically, a "roll on" arrangement against foodgrains in transit or grain on the high seas — of Rs 80 crores. Net bank credit to the commercial sector then should stand reduced by fully Rs 200 crores and that to the government enlarged by an equivalent amount.

This is not the end of the story. The Reserve Bank Governor's letter to bank chairmen states: "Certain state governments have of late been turning to banks for some of their commercial/financial requirements, including food procurement. Before making any funds available on such requests, banks have to ensure that the approval of the Government of India is obtained by the concerned state government under Article 293(3) of the Constitution of India." Judging from the sharp phrasing, state governments have been tapping ways and means advances from the commercial banks. One could continue in this vein and ask if bank credit given to state government agencies such as state electricity boards has not been used by them in lieu of funds they should normally have got from the respective state governments. In sum, incremental net bank credit to the commercial sector contains a very large element of direct and indirect ways and means credit to the central and state governments.

VITAL ISSUES EVADED

The mix up serves to conceal the true extent of deficit financing. Commercial credit, even if negative in net terms, since it contains a large element of deficit financing, has to be curbed. Thus the Reserve Bank Governor states in his letter that credit to the commercial sector should not stimulate "further expansion of money supply". However, two questions arise. First, is it the Reserve Bank's view that the stimulation that has taken place so far is justified and that further stimulation is to be avoided? (In other words, is it saying that outstanding credit to the government sector should not be cut?) Second, how is further stimulation to be avoided: by choking which portion of commercial credit — the portion that is non-commercial or the portion that is commercial?

The Reserve Bank has not allowed these questions to surface — as that would have meant a straightforward decision on the Bank rate. A Bank rate hike would have straightaway made cre-

Between Now and September

Romesh Thapar

WE, in Delhi, take everything in our stride. The scandals, or attempted scandals, with which Parliament is sought to be rocked. The Budget, which surprisingly leaves the *status quo* broadly undisturbed. The crime wave, which grows in dimensions in all parts of the country and particularly in the Capital. The US resumption of military supplies to Pakistan, even as Ambassador Moynihan presents his credentials in Delhi. Karan Singh's resignation, which has put the skids under a lot of his colleagues who have forgotten what "moral" responsibility is. And the passing of men like Pitamber Pant who helped mould many of the critical decisions of the last twenty-five years. Probably, our sensitivities have been dulled by a casual and cynical contact with power.

But there is a question-mark which disturbs the tranquillity of the Capital. Will the situation remain manageable during the critical months ahead, until the rains break fully and make hoarding a risky pastime? Between now and September is a problem-crowded period. The drought-cum-famine is being tackled with a fair amount of success: indeed, the more depressed sections are persuaded almost to pray for a perpetual crisis! The break-down in electricity generation is very much more serious, with the possibility of widespread damage to industrial pro-

duction; here, drastic steps are called for, and there are no signs of a stirring.

The Government of India is, not without reason, somewhat overwhelmed by the prospect of handling the ramified and complex grain trade. The reason is quite simple. There is a continuing failure to stress the need to establish a parallel distribution system and to outlaw private dealing in foodgrains. The mass media have to be geared to this task during the coming months — to educate, to enlighten and to motivate. And the reliable cadres of the ruling party have to be activated to realise that failure in this area could be disastrous for the ruling party.

It wouldn't be a bad idea to collect the names of all the IAS officers in the states who have refused to be cajoled and bullied by MPs, MLAs and local politicians, and who are written off as "uncontrollable", "difficult" and "rigid". They should be mobilised to set up the distribution machinery for foodgrains in their states. It is for the Prime Minister herself to take some such step if the whole concept of State trading in foodgrains is not to become a self-defeating operation.

Confidence must be infected into the system, for even socialists like Jaya Prakash Narayan are having second thoughts about banning private

trading in foodgrains. In fact, scratch a few of the more vocal radicals in Parliament and you'll get similar responses.

As for the electricity crisis, with all its many repercussions, the truth is slowly dawning that it is more than a creature of the present water scarcity or coal dislocation. Minister K L Rao is well-liked, but this should not become an obstacle to a major overhaul of an obviously incompetent and corruption-corroded electricity management system. The need urgently to re-think the balance between hydro and thermal plants, and to plan for precisely the kind of water scarcity and coal dislocation that occurred this year, is beginning to be realised.

Urgency is stressed because the motivated elements within the GOI know that once the rains take over, every one will go to sleep, to wait for the next crisis. If anything gets done, it will be between now and September. Of course, there is a long and dreary parliamentary session ahead of us, which goes on into May, but that should not hold up action in crisis areas.

Once again, let it be mentioned, the lack of information about what is being done increases the uncertainties about the future and makes the going until September more hazardous. This gap in information has to be massively corrected. In other words, the Centre's credibility can no longer be taken for granted. It must be built during these summer months.

March 19

dit dear all round, including credit to the government. But this the Reserve Bank has avoided with great effort through a chain of substitute measures.

It has raised the minimum net liquidity ratio from 36 to 37 per cent. Apparently, this is intended to cut banks' general access to the Reserve Bank for accommodation at the Bank rate. It has also prescribed an interest of 8 per cent against the earlier 7 per cent on banks' borrowings which lower the NLR the first percentage point below the minimum. However, all that this apparent credit squeeze will ensure is that banks pre-empt funds for the Central government loans due in May. And that would be credit to government.

Second, the impact of the NLR choke and the rise in cost of Reserve Bank accommodation to banks would have to be distributed among non-government borrowers, leaving out the large houses and the big accounts since, as any banker will tell you, they are first class customers. After all, when big houses accept banks' discipline they should be rewarded with a lower interest rate. There is also export credit at concessional interest to borrowers, large and small. The rise in banks' lending rates would also not touch the public sector accounts which, being guaranteed by the government, are rated high security-wise. That is the reason why banks, who are competing for public sector accounts, asked the Reserve Bank to prescribe a minimum lending rate last weekend. The request, not surprisingly, was turned down.

True enough, the Reserve Bank has announced that it would tread the ground that banks avoid, and has brought public sector accounts within the ambit of the Credit Authorisation Scheme. But past experience with the CAS does not suggest that the measure will achieve very much. Rarely, has the Reserve Bank turned down a proposal that has come to it for approval. Can one hope that the CAS will be operated less perfunctorily for bank credit to the non-commercial sector?

OPEN DOOR

This criticism of the tightening of NLR might seem less than convincing. Attention therefore needs to be focused on refinancing for food procurement. These advances are estimated to rise by Rs 580 crores to Rs 870 crores by mid-July. The incremental advances for food procurement would now be entitled to refinance at the rate of 50 per cent against 33 per cent hitherto. In other words, banks will get Rs 290 crores of refinance at the Bank rate against Rs 190 odd crores under the

old one-third formula. They will thus get Rs 100 crores of extra accommodation against the loss of about Rs 85 crores arising out of the one percentage point hike in the minimum NLR to 37 per cent. While one door has been shut, the other has been thrown ajar.

So much for the attempt to stem the growth of net bank credit to the commercial sector, a major component of the expansion in money supply. The attempt to control the other components of money supply, as seen from the Reserve Bank's direction to banks to raise deposit interest rates, is even more ingenious. A major component of money supply is demand deposits which increased by Rs 480 crores during the current financial year upto March 2, contributing just over 51 per cent to the incremental money supply. The expansion in the corresponding period a year ago was Rs 329 crores or just 40 per cent of the increase in money supply.

In order to control expansion of money supply, the growth of demand deposits needs to be slowed down, so seems to run the Reserve Bank's reasoning. It is not for the Reserve Bank to ask why demand deposits is not a consequence of the runaway expansion in overt and covert net bank credit to government. The Reserve Bank's task is to evade a confrontation and launch technical exercises. So the interest rate on deposits for 15 days to 45 days has been raised (from April 1) from 2 to 2.75 per cent (the proposal was to take the rate to 3 per cent). The higher rate is designed to attract house money — from LIC, UTI and the large corporations. Thus, if a shift takes place from demand to time, that is 15-day deposits, the pressure on money supply would stand reduced!

The conversion of demand deposits into time deposits would also yield a second result, namely, the slowing down of the expansion of net credit to the commercial sector. Now, during the current busy season to March 2 net bank credit to the commercial sector expanded by Rs 439 crores as follows: Reserve Bank credit Rs 12 crores, plus commercial banks' claims on the commercial sector which expanded by Rs 733 crores, minus time deposits which rose by Rs 306 crores. If time deposits could be inflated, net bank credit to the commercial sector would stand correspondingly deflated. This arithmetic has also led the Reserve Bank to raise interest rates on 46-day deposits from 3 to 3.25 per cent, on 91-day deposits from 4.25 to 4.75 per cent; on six-month deposits from 4.75 to 5.25 per cent and on two-year deposits from 6.50 to 7 per cent. To give the devil its due, the Reserve Bank has kept the

interest on 5-year deposits unchanged, thus avoiding distortions in the relationships between deposit interest rates, the unchanged Bank rate and the long-term yield on the government loans due to be offered in May.

What is conspicuous is that the interest rate on savings deposits has been maintained at 4 per cent. Since savings deposits have a large demand component, a hike in savings interest rates would only boost demand deposits. The interest differential between this class of deposits and short-term deposits has, therefore, been widened, apparently with a view to bringing about a shift of the demand component of savings towards term deposits. In fact, a move to widen the differential even further by reducing the interest on savings deposits to 3.50 per cent was scotched by New Delhi.

The modified credit policy is thus heavily the third 'R' oriented. There is no strategy, no policy, there is only arithmetic: arithmetic to slow down an expansion in money supply without effectively checking runaway bank credit to government, arithmetic to bring about certain shifts in the components of money supply without bringing about a basic change in the propensity to save which is being rapidly eroded by inflation, arithmetic to window-dress the lack of policy initiatives.

In the calculus, there is no place for stray thoughts on whether the nationalised banks, which since mid-1969 have fanned out into the countryside, can stem the tide of a likely emigration of farm labour from the vast drought affected areas in April-May; nor on a strategy for mopping up funds that would be diverted, following the take-over of wholesale grain trade, by the big foodgrain traders into speculation in scarce commodities, including grain; nor on whether food procurement would match targets; nor on measures to boost savings through, say, a rise in savings deposit interest rates — banks, after all, pay interest only on the time component of savings deposits —; nor on the need for an escalation in the cost of credit to government.

Arithmetic is all. And, should things go really wrong, and monetary pressures rise following the reckless deficit spending in 1972-73, the option to raise the Bank rate and tighten selective credit controls would be there. The present is not the time for taking alarm, the 19-per cent rise in the wholesale price index for food articles during the year ended March 2 notwithstanding. When the situation gets really hopeless, one can always resort to socialist gimmicks. Till then, the prescription is arithmetic and a gamble in the monsoon.

US releases \$87m worth of economic assistance to India



"This alms deal is part of an old commitment..."

Calcutta Diary

A M

IT is always the weighted average of your guess and my guess and our next door neighbour's guess, but, according to one set of statistics, there are at present, nearly five hundred poetry magazines and fifteen thousand practising poets in West Bengal. Determining the current number of poetry magazines can be a matter of semantic exercise. Some of these magazines may appear only once in five years, or appear only once and fade into oblivion. A whole lot of others are supposed to be monthly, bi-monthly, or quarterly publications, but their actual periodicity varies with the financial straits of the managing editor at any given moment. There is that other specimen, representing a genre which is a cross between love of poetry and love of entertainment; for example, the daily poetry magazines which usually assert their existence every year during the week or fortnight when Calcutta celebrates Tagore's birth anniversary. In one or two stray years, one has also heard of hourly poetry bulletins. The births, deaths and periodicities of these magazines are afflicted by an acute stochasticity, and bands of budding mathematician economists, if they are so interested, can have a whale of a time in trying to fit a simulated Markov process or some such thing to the phenomenon.

Even were one frustrated by the random nature of the data on the number of Bengali poetry magazines, one is perhaps on much firmer ground while estimating the number of practising poets. There is a definitional problem here too; it can however be got over by adopting the point of view that a practising poet is one who has at least a dozen poems published in journals or magazines during a single year. Alternatively, he could be one who, while appearing in journals only rarely, still manages to publish at least one volume of poetry every two years or thereabouts. Since an average issue of a poetry magazine carries poems by fifty poets — give or take a few — allowing for overlapping and multiple appearances, there is a kind of coherence between the estimated number of poetry magazines and that of practising poets.

In the room serious people come and go, talking of Keynes, Marx or Pareto. But, meanwhile, what does one do with this furious rash of poetry, what does one do with West Bengal's reserve

army of poets? Is it at all impossible to convert this obsession with poetry into an economic proposition? Even in a society violently gone over to the pursuit of economic growth, it would be worse than philistinism to question the role of poetry. Poetry enlarges the stock of imagination for a nation; investment in poetry, along with investment in other branches of literature and philosophy, ought to pay off by enlarging this stock. It is this stock of imagination which helps a country to produce brilliant engineers, brilliant technologists or brilliant planners. One can thus make a perfectly economic case for the State taking an increasingly positive role for expanding the availability of poetry in society. And if it could be shown that, given organisation and a fund of goodwill, the publication of poetry is viable even on narrow financial terms, to vote for the poets would become respectable even without recourse to shadow prices and social rates of discount.

Assume that roughly half of the fifteen thousand practising poets would have a volume ready for publication every year. That is to say, if finance were not the stumbling block, as against the current average of three to four hundred, seven thousand five hundred volumes of poetry could have been annually published in West Bengal. If demand is assumed to stay put at the current level, it should be possible to sell six hundred copies of each volume. Since about one hundred extra copies may be kept for complimentary distribution, a print order of seven hundred copies would be called for. Given the estimated costs on the basis of accepted specifications, including specifications in regard to quality of paper, lay-out and get-up, and the average length of a volume, an expenditure of approximately one thousand rupees would be necessary to print this number of copies. For seven thousand five hundred volumes, therefore, the cost would come to around Rs 75 lakhs. If the average price is fixed at Rs 2.50, gross sales should net Rs 1.25 crores. If the Government or the banks help the authors with marketing outlets, the cost of distribution could be drastically pruned from what it is at present. Even were a 15 per cent margin allowed for distribution, one should be able to end up with a rate of return of around 30 per cent or more from this

venture into organised publishing of poetry. In case this return is now evenly spread between the poets and those who finance them, the latter would still end up with a rate of return of 15 per cent which should be able to meet the test of nearly all the dogmas — including the corniest one among them — with respect to project efficiency.

A tongue-in-the-cheek exercise? Leading the good-intentioned ones up the slippery path of lyrical vacuity? One can straightaway list the difficulties which would be mentioned in the way of pushing such a project through. For instance, if seven thousand five hundred volumes of poems are to be published each year, even the impossible Bengalis, it could be said, would reach the point of surfeit; diminishing returns would fast set in; beyond the third or fourth year, the sales would register a sharp decline. But this could be a fear without basis. There is no end of poetry in the world, particularly in this part of the world. There is, similarly, no end to generations of poetry-lovers; they follow close upon the heels of one another. As population expands, so does, at least at a proportionate rate, the number of poets, and the number of readers who read what the poets compose. The crucial problem is organisational: educating the poets into the economics of it; persuading them to agree to band together in co-operatives so that they are able to negotiate, in an effective manner, with the banks or whichever other institutions would finance them; taking care of problems of production and distribution; cajoling the financial bodies to forget their standardised notions about collateral. These institutions would have to be persuaded to accept the published copies as collateral and to forget the rest of their dehydrated regulations. With kindness in their hearts, they would also have to conduct the poets to the strange universe of accountability and economic viability, and, where necessary, organise them into marketing co-operatives so that distribution does not suffer.

Ultimately, it is a matter of judgment on the part of the financial institutions. Financing the poets is merely an illustrative category: there could be umpteen other creative activities which could be shored up if only some investment is thrown their way. Many multiples of seventy-five lakh rupees are being frittered away every year by the banking establishment here, there and everywhere. It could well

be that one or two volumes of poetry would turn out to be what the Americans call lemons, and sell badly. But there is an elementary statistical proposition concerning the inertia of large numbers; seven thousand five hundred is a pretty large number.

There could be other objections though. For one watching the current scene in West Bengal, the realisation may suddenly dawn that the pity is in the poetry. Even revolution-monogering here has become a species of

lyrical effusion; an excess of poetry has numbed almost all possibilities of activism. In these circumstances, to preach the notion of poetry as a marketable commodity could be akin to offering hostage to revisionist fortune. Between the Scylla of lyricism and the Charybdis of economism, the Bengali poet will thus have to make an awkwardly difficult choice. And, in the resulting frustration, he might perhaps end up by producing some more poetry. Which is where we came in.

COMPANIES

Where the Boom Is

Hansavivek

MAHINDRA AND MAHINDRA holds an industrial licence to expand capacity to 25,000 numbers of Jeep vehicles per annum. In 1968, owing to the recession, the company had decided to proceed with this expansion in stages. As a first step, a new one-tonne forward control truck was added to the product-range, orders were placed for some additional equipment, and erection of a new foundry was undertaken. The company has now embarked on the next phase, of raising capacity to 18,000 vehicles and a sufficient quantity of spare parts to service the growing numbers of Jeep vehicles. This, coupled with the capital requirements of the electronics division, which has received industrial licences for manufacture of capacitors, DC calibrators, and foetus monitors, would entail a capital cost of about Rs 10 crores. The company received Rs 2.90 crores as a result of the merger of the Union Bank of India Ltd with it. A rupee loan of Rs 2.50 crores is being sought from IDBI, ICICI, LIC and UTI, and a foreign currency loan of Rs 150 lakhs from ICICI. Government permission is also being obtained to make a rights issue of equity capital of Rs 1.10 crores and 9.5 per cent redeemable preference shares of Rs one crore. The balance of the funds will be provided through internal generation.

During the year ended October last, M and M produced 13,504 numbers of vehicles, against 11,377 numbers during the previous year; sales were 12,876 units, against 11,472 units. The installed capacity was 12,500 numbers. The other manufacturing divisions also registered good progress, and the steel

and machine tool divisions too fared better. There was a slight decline in orders secured for import by the steel division, from 271,705 tons to 255,558 tonnes, but despatches of indigenous mild steel rose sharply, from 18,680 tonnes to 79,099 tonnes. Orders secured for special steel also showed a significant increase, from 29,855 to 37,025 tonnes. Total business secured by the machine tools division for both indigenous and imported machines was Rs 1.29 crores. Production in the instrumentation division was hampered by power shortage and turnover slipped from over Rs one crore to Rs 93 lakhs. With a spurt in demand for pneumatic positioners and power cylinders, the division has secured government sanction for increase in the licensed capacity, under the scheme for fuller utilisation of capacity. The electronics division established commercial production of temperature controllers, oil meters and gear-box controllers. The agro-aviation division covered slightly lower area of aerial spraying, owing to severe drought conditions and accidents to two of the helicopters.

The export division shipped Jeep vehicles and spare parts to Ceylon, Jordan, Indonesia and Yugoslavia. Total exports, including sales to UNICEF, which are paid in hard currency, exceeded Rs one crore. Orders have been received from Bangladesh, Ceylon, and UNICEF, for supply of vehicles. Exports of trailers, diesel engines, and sintered bearings, manufactured by subsidiaries, are also expected to go up. The company has negotiated proposals for setting up joint ventures in Indonesia and Thailand for manufacture of

domestic water meters.

M and M has produced very good results for 1971-72, with impressive rises in turnover and earnings. Dividend has been stepped up to 12.5 per cent, which is payable on a much larger capital consequent on the amalgamation of the Union Bank of India Ltd with the company. During the first quarter of the current year, sales of Jeep vehicles rose by about 39 per cent over the corresponding period last year, while production was higher by only 6.5 per cent. Production and sales in the current year are expected to be maintained at a slightly higher level than in the previous year.

ANDHRA SUGAR expects to commission its second caustic soda unit in the latter half of the current calendar year. A part of the imported equipment has already arrived, and the rest is likely to be received as scheduled. The existing unit produced 10,396 tonnes during the year ended September last, against 10,462 tonnes during 1970-71. Despite the erection of rectifier and liquefaction plants for higher capacity, the output could not be stepped up owing to power shortage. During the current year, too, production is expected to be of the same order, or even less, on account of the shortage of power. The newly commissioned chlorosulphonic acid plant produced about 100 tonnes last year, but it is expected to yield better results this year. Shortage of alcohol reduced production of acetic acid from 642 tonnes to 325 tonnes, acetic anhydride from 557 tonnes to 446 tonnes, and ethyl acetate from 454 tonnes to 315 tonnes. Production may increase this year if the company gets increased allotment of alcohol from the AP Government. The distillery produced slightly higher quantity of industrial alcohol, but the acetic acid plant could be issued only 16.50 lakh litres against 25.90 lakh litres during the previous year. The sugar factory showed a much better performance, producing 3,50,310 quintals of sugar with an average recovery of 10.14 per cent, against 2,57,201 quintals with a recovery of 9.8 per cent. Total quantity of cane crushed amounted to 3,45,362 tonnes, against 2,62,320 tonnes. Two numbers of 36" x 72" mills were installed for dewatering purpose and the crushing capacity was increased. Net turnover advanced from Rs 7.28 crores to Rs 10.46 crores, with sugar accounting for 75 per cent of the total against less than 66 per cent previously. Gross profit leapt from Rs 1.52 crores to Rs 2.70 crores, but the gap

NEW DELHI

Cover for Import of Technology

THE Central Engineering and design Bureau (CEDB) is being detached from Hindustan Steel to be made an independent company under the aegis of the Steel Authority of India (SAIL). CEDB's first initiative as an independent company has been to sign an agreement with Bharat Aluminium (BAL), for detailed engineering work on some of the off-site facilities for the Korba aluminium project. This is claimed to be a major breakthrough for CEDB. Two interesting aspects of the construction of the Korba project came to light at the time of announcement of the CEDB-BAL contract: first the time-lag between the completion of the alumina stage of the project and the commissioning of the aluminium smelter and the rolling mill facilities and, second, the background to the induction of the CEDB.

The alumina part of the Korba project is at last nearing completion. It is due to be commissioned next month. But the facilities for conversion of alumina into metal will not be ready for at least two years and it will take a further year for the full rated capacity of 100,000 tonnes to be erected. The rolling facilities are to be set up in phases and will take still more time to come up. The first part of the project is being built with Hungarian collaboration and the second with Soviet collaboration.

ALUMINA GOES ABEGGING

The problem of disposal of alumina, created by the delay in the commissioning of the smelter, is proposed to be solved by offering a part of it to Birla's Hindalco in UP and by exporting the rest. The BAL management has no explanation for the long time-lag between the completion of the alumina stage and the erection of the smelter. When questioned the Chairman suggested that at one stage the idea was that alumina from Korba would also be used by the Koyna project where the smelter was proposed to be set up before alumina-making facilities. But the fact is that it was never the idea that the entire alumina production at Korba would be used in this manner. In any case, the Koyna project received a setback when the collaboration arrangements with the West Germans fell

through. This happened nearly five years ago and there was all the time to suitably adjust the project schedule at Korba. There is, therefore, no reason why the erection of the smelter at Korba could not have been co-ordinated with the alumina making part of the project — unless the explanation is that the Soviet collaborators did not find it convenient to speed up their part of the project.

A significant point to note here is that the collaboration deal with the West Germans for Koyna did not click because of differences over the design and engineering arrangements. The West Germans did agree to enlarge the share of Indian agencies in providing these services nor to the use of a larger proportion of indigenous equipment. Those were the days when feeling was running high in favour of giving a larger role to Indian agencies in designing and engineering work and using a larger proportion of indigenous equipment. In the case of aluminium, practical experience had shown that there were in fact considerable possibilities in these directions. It was against this background that the Hungarian share of the alumina part of the Korba project was considerably scaled down. The Hungarians did not like this, but had to accept it because of the firm stand taken by the National Industrial Development Corporation which was the Indian consultant for the project. The NIDC was then highly regarded for its competent and effective performance; so it was all the more surprising that it was told to stay out of the smelter and the rolling mills part of the project which were to be built with Soviet aid. This was followed by the induction of the CEDB on the scene.

CEDB'S HEAVY LOAD

The CEDB's entry into the Korba project followed immediately after it had signed an overall collaboration agreement with Gipromaz, the well known Soviet design and engineering organisation specialising in the ferrous field. The collaboration arrangements between the two took a long time to be finalised because of reservations, both inside the government and outside, about the wisdom of an omnibus

agreement of the kind envisaged which would make the CEDB virtually a subsidiary of Gipromaz in India. At the stage of finalisation of the agreement, a reference was introduced in it to non-ferrous technology as well. Earlier this had never been regarded as falling within the scope of the collaboration deal since both CEDB and Gipromaz were supposed to concern themselves with and specialise in ferrous technology only. The inclusion of non-ferrous technology within the scope of the agreement was apparently contrived to make way for the ouster of NIDC from the Korba project and its substitution by CEDB. The Russians evidently felt they would be more comfortable dealing with CEDB at Korba rather than with NIDC.

There is much talk these days of the heavy load of work that the CEDB has to carry in the implementation of the steel programme. The CEDB has indeed been assigned a lot of work on the steel projects. Its responsibilities will multiply if the expansion of Bokaro and Bhilai become the major elements in the expansion of steel capacity in the next few years. Since these projects will be Soviet-aided, the CEDB will be the natural understudy of the Soviet agencies working on them. The already heavy load on CEDB's shoulders has been advanced as the main reason for asking Nippon of Japan to prepare the feasibility report for the expansion of TISCO (which, incidentally, should have been well within the capabilities of one of the other Indian steel consultants). Now, if the CEDB is so fully occupied that Japanese consultants have to be brought in, why should it stray into aluminium and that too by displacing another Indian public sector consultancy organisation which had acquired some competence in the field?

SUB-AGENTS OF FOREIGN FIRMS

The CEDB has been placed in an extremely awkward position also because of its inability to make use of its other controversial collaboration agreement arrived at about the same time as that with Gipromaz — the agreement with United Engineering of USA for rolling mill design and engineering. The CEDB is not concerned with the manufacture of rolling mills and so there was no justification for this agreement. Under the agreement it could at best function as a sales department of United Engineering catering to the requirements of manufac-

was narrowed at the net level, since the tax liability syphoned off Rs one crore more than in the last year. Even so, dividend raised by two points, to 12 per cent, showed a better cover. Inventories were brought down considerably, and the percentage of wages to sales also declined. The subsidiary, Andhra Farm Chemicals, intends to manufacture hydrazine hydrate in collaboration with Regional Research Laboratories, Hyderabad. Hindustan Allied Chemicals, the other subsidiary, is exploring new avenues for the manufacture of chemicals.

KESAR SUGAR earned a higher profit during the year ended September 1972, although it could produce only 1,38,154 quintals of sugar against 2,44,273 quintals in the preceding season. There was a substantial fall in cane acreage; and the factory worked for 128 days and crushed 14,82,960 quintals of cane compared to 28,19,450 quintals crushed in 220 days previously. The average recovery was better at 9.31 per cent (8.66 per cent). With a higher realisation, total net sales advanced from Rs 382 lakhs to Rs 493 lakhs, and gross profit was a fourth better at Rs 50 lakhs. Al-

cohol production was lower owing to shortage of molasses because of lower sugar production. Increased overhead and fuel costs rendered the working of the distillery uneconomic. Production and sales of the chemicals factory improved, although progress was slow owing to difficulty in obtaining adequate supplies of raw materials (such as soda ash) and lower demand for certain chemicals. Net profit showed a fair improvement despite increased tax liability. The inventories as well as borrowings were brought down sharply. Net dividend income increased by about Rs 3 lakhs to Rs 10 lakhs. The company's investment in shares of other joint-stock companies amounted to Rs 86 lakhs. Of this, as much as Rs 80 lakhs are invested in Synthetics and Chemicals. Equity dividend, stepped up six points to 30 per cent, found a better cover than last year. The company spent Rs 50,000 on advertisement in brochures of political parties. Prospects of cane production for the current season are rated "much better" than for the previous season.

CENTURY ENKA is awaiting government approval for its application for ex-

pansion of capacity to 6.5 tonnes of nylon yarn per day. The company's present installed capacity is 1.6 million lb per annum. During the seventh year ended September 1972, production amounted to 915 tonnes. Yarn prices declined. Net sales were Rs 45 lakhs lower than last year's and gross profit was Rs 277 lakhs compared to Rs 334 lakhs. With the tax provision demanding more, net profit amounted to Rs 97 lakhs against Rs 165 lakhs. Equity dividend was stepped up two points to 17 per cent, but the cover was almost halved to 2.14 times. A part of the distribution is expected to be exempt from tax. The company exported art silk fabrics of the value of about Rs 34 lakhs "at a considerable loss" to fulfil its obligation against import of plant and machinery for the nylon plant. Development rebate reserve has been created to the extent of 100 per cent of the amount as allowable under the Income-tax Act. Depreciation has been provided on the 'straight-line method'. Had it been calculated on the 'diminishing-balance method', as per the income-tax rules, the cumulative amount therefor upto 1971-72 would have been about Rs 392 lakhs as against Rs 230 lakhs as provided in the accounts.

The Week's Companies

(Rs in Lakhs)

	Mahindra & Mahindra		Andhra Sugar		Kesar Sugar		Century Enka	
	Latest Year 31-10-72	Last Year 31-10-71	Latest Year 30-9-72	Last Year 30-9-71	Latest Year 30-9-72	Last Year 30-9-71	Latest Year 30-9-72	Last Year 30-9-71
Paid-up capital	478	360	212	192	64	64	300	300
Reserves	477	249	173	121	90	76	330	295
Borrowings	942	1117	267	286	23	222	188	226
of which Term borrowings	319	320	144	119	—	—	187	225
Gross fixed assets	1055	662	751	709	175	174	645	610
Net fixed assets	787	616	324	336	52	54	415	419
Investments	252	247	22	25	87	86	1	—
Current liabilities	1065	1059	337	129	81	60	287	185
Current assets	1922	1922	642	368	119	282	689	537
Stocks	1156	1044	227	209	71	233	91	107
Book debts	547	715	263	148	43	38	63	34
Net sales	4102	3512	1046	728	493	382	452	497
Other income	38	64	5	3	18	15	68	27
Raw material costs	2721	2554	430	334	315	227	71	61
Wages	647	513	49	41	52	53	39	37
Interest	126	113	24	34	12	25	12	16
Gross profit(+)/loss(—)	297	142	270	152	50	40	277	334
Depreciation provision	87	39	55	56	6	8	69	68
Tax provision	62	50	144	44	17	11	111	101
Net profit(+)/loss(—)	148	53	71	52	27	21	97	165
Development rebate provision	50	10	3	3	—	—	2	3
Transfer to reserves	40	5	45	30	11	8	48	120
Dividend								
Amount	P 3 E 55	3 35	P 3 E 20	3 16	P 1 E 15	1 12	P 5 E 42	5 37
Rate (per cent)	P 7.80&8.45 E 12.50	7.80&8.45 11	P 9.5 E 12	9.5 10	P 5.50 E 30	5.50 24	E 9.5 E 17	9.5 15
Cover (times)	1.73	1.14	3.25	2.87	1.73	1.66	2.14	4.24
Ratios (per cent)								
Gross profit/sales	7.24	4.04	25.81	20.88	10.14	10.46	61.28	67.20
Net profit/capital employed	7.80	3.07	10.89	8.68	15.25	5.80	11.85	20.09
Inventories/sales	28.18	29.75	21.70	28.71	14.40	60.99	20.13	21.53
Wages/sales	15.77	14.32	4.61	5.63	10.54	13.85	8.63	7.47

turing firms in India, the most important of which is the Heavy Engineering Corporation at Ranchi. But the HEC has a parallel agreement with Soviet agencies in this field and the Russians have made it perfectly clear that there will be no American intrusion into the HEC. In the circumstances the CEDB pays the agreed fees to United Engineering without being able to make any use of the facilities to be provided by the American firm under the agreement.

WIDESPREAD CRAZE FOR FOREIGN COLLABORATION

The experience of the CEDB is not unique. The craze for collaboration with foreign agencies is widespread among consultancy organisations. Another case in point is the agreement entered into by Engineers India with an American firm for heat exchangers used in the chemical industry. EIL had sometime ago offered its services in this field to Fertiliser Corporation, only to be told that FCI had developed its own

knowhow in heat exchangers and that it had no need for the assistance of the foreign firm in question through the good offices of EIL.

Another trend that appears to be gaining ground among consultancy organisations is to spread their work very thinly and enter fields which do not belong to them. The idea appears to be that a design and engineering consultancy organisation can pick up odds and ends all over the place by simply entering into collaboration arrangements with outside agencies. This is clearly inimical to the growth of specialisation and development of indigenous knowhow which should be the primary consideration at this stage of the development of our design and engineering services. As matters stand at present, our consultancy organisations, with a few exceptions, are becoming virtually sub-agencies for foreign firms or sales agents for foreign equipment manufacturers instead of evolving as competent design and engineering bodies in their own right.

WEST BENGAL

Growing Rash of Schisms

ALARMED perhaps by the fate of Narasimha Rao and Nandini Satpathy, another of the Prime Minister's chosen *subedars* seems to be sensing trouble. At least, this is the explanation of a recent display of nerves by the West Bengal Chief Minister on the floor of the state Assembly. The acrimonious flare-up in House, following a sharp exchange between S S Ray and a veteran leader of the party, B S Nahar, was no sudden or accidental outburst. It was the natural consequence of steadily accumulating inner-party tensions. The reported comment by the Chief Minister, that Nahar had better cross over to the Opposition bench, in retort to a rather routine criticism of the tardy changeover from the use of English to Bengali in the official work of the state was more than a delayed reaction to Nahar's demonstrative denunciation some weeks ago of the Government's sluggish response to the Congress-CPI(M) clash at Ranigaunje in the Burdwan district. Ray's wrath may be an indirect measure of how far his inner-party opponents' attempts to subvert his position have progressed. Recently, some of the opponents, including a Minister, are known to have held talks in New Delhi with Central leaders, including the Congress President and the

Union Home Minister, about their demand for a cabinet reshuffle in West Bengal. The Chief Minister, who visited New Delhi immediately after these palavers and had to overstay his earlier schedule in order to retrieve his position in the confidence of the Central leaders, has apparently taken out his ire on Nahar — known to be a principal figure in the combination opposing Ray's leadership in the state party.

WAR BY PROXY

While a war by proxy between the two opposing combinations in the state Congress rages intermittently in the political correspondent's columns in the two leading Bengali dailies of Calcutta — *Ananda Bazar Patrika* and *Jugantar* (the latter being a family concern of the Commerce and Industry Minister, Tarun Kanti Ghosh) — there are also frequent and unambiguous public demonstrations of the inner-party bitterness. For instance, on March 10, when the Speaker of the Assembly read out the names of MLAs and the numbers of starred questions standing in their names, it was found that most of the Congress members concerned were not present in the House; afterwards, the Minister of Parliamentary Affairs had to go out into the lobby to persuade the

Congress members to come back. This was reported to be a demonstration of the disaffection among a section of Congress MLAs, who complained that ruling party MLAs who are critical of the Government's performance are denied proper opportunities to speak in the House.

INDEPENDENT MASS ACTION

The growing schisms in the Congress Legislature party are extending into the mass fronts. The process initiated by the Prime Minister during the Bidhannagar plenary session, for patching up the differences among student and youth leaders, seems to have petered out after showing some initial promise. The powerful Chhatra Parishad seems to be heading for a split. Though the Minister of State in the Home Department, Subrata Mukherji, made some gestures towards placating his opponents in the recently — held plenary conference of the State Chhatra Parishad — such as, vacating the post of the organisation's President in favour of one of his own nominees, himself accepting, in its lieu, the chairmanship of the newly created Advisory Board, and offering some of the other posts including the Vice-Presidency to his rival's nominees — the rift has not been bridged. The bulk of the opposition to him walked out of the session, as their demands were not met. They had insisted not only on a larger share of posts, including that of the General Secretary, but also a restoration of the district committees earlier dissolved by the group in power. Mukherji's opposition also pressed unsuccessfully for the formation of the General Council on the basis of, it appears, a version of Mao Tse-tung's famous three-threes principle — i.e., one-third of the members from each of the two rival groups and the remaining third from the non-aligned elements. These opposition forces, linked as they are with a faction in the Congress Legislature party, are now going ahead with a programme of independent mass action under an *ad hoc* campaign committee.

On the trade union front, the objective of unifying the separate trade union centres led by factions of Congressmen has not made any headway. Moreover, factional squabbles within INTUC have intensified. A section of INTUC leaders, again including some Congress MLAs, are reported to be moving for a requisitioned meeting of the state INTUC working committee for what would amount to a censure of the leadership.

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In contrast to the cases of murders

and murderous assaults on CPI(M) activists in Greater Calcutta and elsewhere in West Bengal, the recent murder of an RSP cadre in a remote hamlet in the forests at the foot of the Himalayas got rather wide publicity in the Calcutta and national Press, forcing the state Government to bestir itself — at least outwardly. On March 9, the leader of the RSP group in the state Assembly led his two other party colleagues out of the House in protest against the murder of an RSP worker in North Bengal. He alleged that the late Kader Ansari had been dragged by a gang of Youth Congress activists out of a police camp where he had gone to lodge a complaint against some Congress workers. When Kader

was kidnapped and whisked away in a jeep from the police camp, the policemen present did nothing to prevent the crime. Kader was found dead at a distant place some time later. The RSP leader alleged that the Youth Congress members involved in the crime were the proteges of a Congress Minister. As a result of the exposure in the Assembly, highlighted by the wide Press publicity, the Government had to act. The policemen accused of collusion were suspended and some arrests were made. The Inspector-General of Police has been asked to conduct an inquiry. At the same time, the Chief Minister has asked the police to be non-partisan and to disregard unreasonable requests, even from Congress MLAs.

BANGLADESH

Father, Nephew and Son

(From a Special Correspondent)

IT was, as expected, smooth and swift sailing for the Awami League boat, with Sheikh Mujib at the helm. The opposition was in the nature of minor ripples which did not divert the boat from its destined course to a commanding position in the parliament. The Awami League has won 292 of the 299 seats which were up for electoral decision. Such an overwhelming triumph is unprecedented in a parliamentary democracy if one overlooks the record of elections on the tiny island state of Singapore.

Looking at the positive factors first, violent incidents were not very numerous and there was no boycott by any party. Of course, this is a matter of relative judgment, because, for example, it would be futile to apply Swedish or Danish standards of behaviour in electioneering and polling to a country in South Asia, and especially one which had just undergone a war of liberation. The first general elections of Bangladesh were certainly less marked by violence than those in West Bengal or Bihar in the latter part of the sixties.

CASUALTY LIST

A check with the central offices of the various parties in Dacca showed this correspondent that the maximum claims added up to 52 persons dead in political clashes in the month preceding polling day. Of these, 26 belonged to the Awami League, 20 to the Jatiyo Samajtantrik Dal (National

Socialist Party), five to the pro-Moscow Muzaffar Ahmed group of the National Awami Party and one to the Bhashani group of the NAP. The JSD president, M A Jalil, an ex-major who came to fame as a guerilla leader in the Mukti Bahini claimed that two attempts were made to assassinate him. The JSD chief's allegations were, however, an insult to the musclemen in the Awami League because all that Jalil could show to his admirers and newspapermen were a couple of bruises on his knee which would not bring forth a whimper from a skip-roping schoolgirl of eight.

Anyway, Jalil stayed on in the race, hale and hearty, to fight and lose in seven constituencies, the maximum permitted for a single candidate under the electoral laws. It was only in this exercise that Jalil was one up on the Prime Minister, Sheikh Mujib, who was returned unopposed from two constituencies and was elected with more than one lakh votes each in his favour from two other constituencies. In a straight contest in Dacca city, Sheikh Mujib faced Jalil who did not keep even a full-time polling agent in the area. Still, Jalil ran up a score of more than 15,000 votes. In another constituency in Dacca, the opponent of Sheikh Mujib was a former business executive who is in jail awaiting trial on charges of corruption. This caged bird too piled up some 17,000 votes against the Father of the Nation. The much-maligned Mostafa Gazi Golam,

the chief of the Bangladesh Red Cross, was one of the two others to hit the one lakh votes mark.

None of the opposition parties alleged the use of firearms on polling day. The only credible complaint came from Muzaffar Ahmed in Comilla where some goondas entered a polling booth reserved for women. Here too, the opposition parties did admit that the army intervened quickly and restored order. There were enough photographers toting tele-lenses strewn around the country to snap from a safe distance gun-wielding gangsters of the Awami League if many had been up and about.

SPREAD TOO THIN

Unlike the Communist Party of India (united) which gained a number of seats with a small percentage of votes in the first Indian general elections, the Bangla opposition parties dissipated their energies by spreading themselves thin over hundreds of constituencies. Eleven seats having gone to the Awami League uncontested, 795 opposition party candidates and independents contested for 288 seats for which polling took place on March 7. Between them, these candidates polled 27 per cent of the 184.65 lakh votes cast, to win a meagre seven seats. Five hundred and sixty-four of the opposition candidates lost their deposits. The total strength of the electorate in these 288 constituencies was 337.9 lakhs, and the polling was 55 per cent, only a little higher than the turn-out for the 1970 elections to the National Assembly and the Provincial Assembly called by General Yahya Khan. In 1970, the Awami League polled 75 per cent of the votes for the National Assembly and a little over 70 per cent of those for the Provincial Assembly. This time, the Awami League got 73 per cent of the votes polled, to win 98 per cent of the elective seats in parliament.

In 1970, the biggest party, other than the Awami League, was the communal Jamat-e-Islami, with nearly seven per cent electoral support. The Bhashani group of the National Awami Party was not in the picture in the 1970 elections. The Muzaffar Ahmed group of the NAP won one seat in the East Pakistan Provincial Assembly with 3.27 per cent of the votes in 1970. This was the only member not belonging to the Awami League who sat in the Bangla Constituent Assembly which met in April last year. This time, the

Muzaffar NAP put up 223 candidates, to get a little over eight per cent of the popular vote and no seat at all. The Bhashani group won five and a half per cent of the votes and drew a blank, although it contested 169 seats and had arrangements with five other minor groups covering a total of 232 seats. The Jatiyo Samajtantrik Dal initially said it would be contesting all the seats and ultimately had 236 men in the field, to secure 6.6 per cent of the popular vote and one seat.

The best vote-seat ratio went to the Bangladesh Jatiyo League which polled just 61,541 votes and bagged a seat in the name of the veteran politician, former East Bengal Chief Minister, Aatur Rahman Khan. Aatur, a senior lawyer, and an early guru of Sheikh Mujib who was a Minister in his Cabinet in the fifties, has been a daring man in Bangla politics, taking upon himself the unpalatable role of defending in court those accused of collaboration. Aatur will be the most seasoned parliamentarian on the opposition benches.

The Chittagong Hill Tracts returned two independents, proving that the Buddhist and tribal population there has no sense of identity with the mainstream development of Bangla politics. The three other independents who won were all defectors from the Awami League, who were denied tickets by the ruling party.

Sheikh Mujib went to the polls as the Father of the Nation, referring to himself in the third person as Bangobandhu. Appropriately, therefore, he has declared that the election was a victory for "my" 75 million people. Mujib had said that he wanted a mandate on his four points — nationalism, democracy, socialism and secularism. But the election was really on one relevant point, the person of Sheikh Mujib. Russian pilots and Russian-gifted helicopters helped Mujib reach the far corners of the country, while some of the opposition candidates trekked their way, muddying their feet, through the swamps and the plains of Bangladesh. The Prime Minister managed to get back home and to his office almost every evening of the campaign to do his stint of administrative work which daily awaited his return to the capital.

EXIT OF THE CALIPHS

The outstanding rabble-rousing orator — if Mujib is taken out of consideration — was A S M Abdur Rab, one of the four caliphs of the

post-liberation months, who split away from the Chhatra League saying that Mujibbad was not enough and that what was needed was "scientific socialism". Along with Rab had gone Shahjehan Siraj, into the arms of the man behind the split, Serajul Alam Khan, a maulana-looking ideologist whose pride is the biggest personal collection of Leftist literature in Bangladesh. (According to Sheikh Moni, Rab and Siraj were on the point of being purged out of the Chhatra League when they made their dramatic exit.) Serajul Alam Khan cemented Rab and Siraj with the adventurist freedom fighter Jalil to form the Jatiyo Samajtantrik Dal which attracted under its wings a diverse group of youngsters among whom were devotees of the cult of Che Guevara. Jalil brought anti-Indian overtones to the party. Immediately after liberation, Jalil had wrestled with an Indian brigadier whom he accused of trying to take away arms surrendered by the Pakistani army and some capital goods from a small-scale factory. Jalil was detained by the Bangladesh authorities and kicked out of the establishment by the army chief of staff, Osmany. The Awami League leaders call Jalil a dacoit — a dacoit who was admittedly useful during the liberation struggle — and heap ridicule on the boys in the JSD. Sheikh Mujib himself described them as being so childish that if you pressed their cheeks the milk they drank the previous night would ooze out. The JSD retorts that Sheikh Mujib rode to independence and power along the trail of blood shed by these young men in their thousands.

The JSD says that its only aim in the elections was to get the party known the country over — a good excuse to forestall criticism of their irrelevance to parliamentary politics at the moment. The JSD could become a party of the future, if Sheikh Moni and the vandals at his beck and call would give democracy a chance in Bangladesh. Much also depends on whether the JSD, which is reputed to have thousands of followers with arms, decides to go in for extra-parliamentary activity without the use of violence. Sheikh Moni proved the power of his punch when he cracked down on the followers of the NAP (Muzaffar group) soon after the firing before the USIS on new year's day, reacting to charges of the pretentious pro-Moscow intellectuals that Mujib had become a bed-fellow of 'Vietnam killer Nixon'. Muzaffar Ahmed had waited in the

corridors outside the seats of power (with the reported blessing of Durga Prasad Dhar) hoping to be absorbed into a "national" government. Muzaffar Ahmed little realised that Mujib, like de Gaulle, considers himself to be the only authentic voice of the Bangla nation and has at no time felt the need for outside partners to dress up his image.

TOWARDS SHEIKHDOM

Sheikh Mujib, as one of his aides told this correspondent, started his election campaign on January 10 last year, the day he flew back to his independent country, after being released from a Pakistani prison and after making a thank-you-India-and-Indira halt in Delhi. The second Bangla leader to start his election campaign long before the constitution had been framed was Maulana Bhashani, who began his attacks on the Awami League as early as April last year. Bhashani's party did not win a single seat, but he did give some fright to Sheikh Mujib's colleagues as he took up one issue after the other. Bhashani spent election week in a hospital in Dacca, being courted by Sheikh Mujib and the Bangla President.

There is something pathetic about the pro-Moscow NAP group which certainly was one party which could lay claim to be the pioneer secular group in Bangladesh, having several non-Muslim intellectuals at its top. The membership of the Muzaffar NAP and the communist party are intermixed, and the people at large little know where Moni Singh ends and Muzaffar Ahmed begins. The Muzaffar NAP claims to be the only organised mass party on the Bangla political scene, with ten lakh ten-paisa-paying full members. But all it could poll was a total of fifteen-odd lakh votes. And, ironically for this secular-minded party, the support its candidates received included thousands of communal votes which could not find open expression in view of the constitutional ban on the formation of parties based on religion.

The mainstream of the political tide, swelled to great heights by the electoral mandate, is towards Mujibbad a still ill-defined mixture of worthy ideals. But as the soldiers of Mujibbad march, stepping to strictly Bengali tunes, moved by the passions of language and nationalism, the road, some fear, may lead to a Sheikhdom — Mujib at the top already, Moni on the prowl and Kamal to come later, the father, the nephew and the son.

SOUTH

Sagging Separatism

Mohit Sen

THE separatist storm in some of the districts of Andhra has lost its fury, and the separatists are now hoping that what they face is only a lull — though, in fact, it is the sagging of their fortunes that has descended upon them. Life returns to normal and even peaceful picketing is over. The attempt at large-scale bomb assaults and blow-ups has also not succeeded. The rampaging gangs are slinking back to their lairs.

Is another flare-up precluded? This cannot be said with full certainty. It may be that some last desperate acts of folly would be perpetrated. But anything like a storm seems to be a matter of the past. The NGOs have not officially decided to return to whatever work they were doing but their *elan* is over, their illusion that a separate Andhra was round the corner destroyed.

DEVELOPING REVOLUTION

The students, especially the college students, are still out and there is every likelihood that they will lose a whole academic year. Their fate is not very different from what happened to the college and high school students of the Telengana region some three years ago. Misled, nursing some genuine grievances, and believing that one push was enough, they abandoned their studies — only to find their leaders either back in the Congress or in the legislatures; Telengana was nowhere in sight. It is significant that, this time, right in the heart of Hyderabad, relatively more senior students broke up some of the relay hunger strikes organised by their juniors. It is a great tragedy that the students are often still in the Luddite phase of the movement. None can deny that they are among the victims of the present society, yet it is not against this society that they go into action but against their fellows and under the leadership of some of the worst representatives of the *status quo*. Quite wrongly, they believe that the separatist leaders are in tune with their sentiments since they, too, want some change. After all, they argue, a separate Andhra is a change from the existing integrated Andhra Pradesh. Quite true. But not every change represents advance. It is this distinction which the students of Andhra have yet to learn to make. Change in what direction? Change that changes what? Even on the limited question of

jobs, how would the separation of Andhra provide them with greater employment opportunities? Honour! Where is honour in the company of the decadent and the grasping? And can there be honour for the students without the uplift of the downtrodden and the oppressed? On whose side are these submerged sections? It is essential that the students should not in their desire for change forget to ask themselves these questions. Their future depends on it, including their role in these days of the developing revolution.

WRANGLING AMONG SEPARATISTS

The most tangible evidence of the dip in the fortunes of the separatists is the wrangling that has begun among them. First, there is the wrangling between the Congress and the non-Congress elements in the separatists' front. After the period of wild outbursts against the Prime Minister, some of the Congress separatists are now again proclaiming their allegiance to her personalities and to her person! They are trying to demarcate from the RSS, Jan Sangh, and Swatantra groups; and with their latest protestations of devotion to Indira Gandhi the non-Congress elements are hurling far from complimentary phrases at them. There is any amount of mutual recrimination among the Congress separatists as well. The Rayalaseema representatives are having any number of doubts about what the future of their region would be in a divided state. There is dismay among some that negotiations should at all have begun in Delhi without a clear mandate having been previously worked out. Still more interesting is the fact that among the non-Congress separatists, as well, a tussle has come out in the open. It can be said that the splitters are split.

The most heartening feature of the entire situation is the resurgence of activity among the integrationists. The CPI had been in the forefront of the campaign of explanation among the masses. There was a period of some weeks when this campaign had to be conducted by it mainly in its own bases. Now Red Flag demonstrations are the order of the day in the four delta districts, which the separatists had imagined comprised their undivided and unchallengeable kingdom. Attempts at

attacks on these meetings and demonstrations are met by firm counter-attacks which have dismayed the various *senas* and *vahinis*. But it is not only the CPI that is campaigning. The Congress integrationists have also come out on to the streets and fields. Conventions and meetings are being held by the score. A debate, a battle for the minds of the misled masses, is on in a manner that the state has not known for quite some time. And all this is paying dividends.

INTEGRATION STAYS

One cannot, of course, be absolutely sure but the balance is now definitely tilted in favour of the integrity of Andhra Pradesh. It looks as if victory is within reach for those who stood up to the most ferocious offensive that Right reaction had launched on a mass scale since the Hindu-Muslim riots of the past decades. It looks as if the counter-offensive has been contained. The anti-Right forces have every reason to congratulate themselves.

It must be added, however, that this justified feeling of joy should not lead to any complacency. Nor must it come in the way of a searching examination of the causes of the Right being able to mount such a challenge and acquire such a menacing mass base.

The failure to push ahead with development and to carry out the radical structural reforms without which such development is not possible, is the basic cause which allowed the Right counter-offensive to acquire its sweep and striking power. Without the removal of this basic cause, the Right cannot be contained — much less countered — in Andhra, or anywhere else for that matter.

Specifically, in Andhra Pradesh, there can be little progress for the state and its people unless the power of the landlords, of the old and of the new type, is struck at and then broken. They have not only wealth but wealth in a form and in a kind of preference which is economically counter-productive and atrociously reactionary, socially and politically. It is medievalism seeking to acquire a capitalist base exactly similar to the reactionary way of capitalist development, which Marx had analysed in *Capital* Volume III and which Lenin had so trenchantly written about when he made the famous distinction between the Junker and the American paths of development of capitalism in agriculture. The combination of medievalism and limited capitalist development is menacing, and has to be uprooted if there is to be slightest prospect of democratic advance in Andhra, or anywhere else for that matter.

BANGKOK

The Insurgency Equation

M R

THAILAND'S ruling elite is in search of convincing reasons to make the United States military presence on its soil credible — and to prolong the presence indefinitely. In February, when Spiro Agnew and Henry Kissinger visited Bangkok, it tried to psyche them into believing that the Chinese were directly participating in the communist insurgency, besides stepping up military aid to it, and that the problem had taken on a new dimension with the end of the Vietnam fighting. The visitors were left unimpressed because the United States has better reasons than countering countries communist insurgency for its military presence here.

Estimates of how big the insurgency problem is vary. But one has to take the Director for the Co-ordination of the Communist Suppression Operations Command at his word. He said there are about 4,000 Thai communist insurgents and 3,000 have been captured and another 3,000 arrested. Which means, had there been no arrest and no surrender, the country (with a population of about 30 million) would have 10,000 insurgents. The figures underline one fact — the communists have been able to recruit guerillas with success. According to the Director, the communists have changed their strategy. They now help people to solve their economic problems and engage in a big recruiting programme. But this was exactly what the government had tried to do to prevent the people from joining the communist ranks.

Communist insurgency in Thailand's north (the Thailand, Burma, Lao tri-junction) and the north-east (the border with Laos) mesh with ethnic movements of the Meo tribals. In the south, on Malaysia's border, it dovetails with the Muslim irredentist movement. But the old theory that communist insurgencies are mere ethnic revolts and are confined to ethnic tension spots is dying. The movement is extending to the central plains and to the ethnic Thais.

The government had adopted two major strategies for countering insurgency. In the north-east where most of the guerrillas are local Lao or Thai, it tried to strengthen government-to-village relations using community

development and village defence programmes. In the north where the insurgents were believed to be mainly the hill tribesmen living high in the mountains, guerilla warfare has been prescribed to kill off or isolate the insurgents. But by the government's own admission there are more insurgents in Thailand now than say five or ten years ago.

The Accelerated Development Programme launched with fanfare ten years ago is part of the pacification programme in the "sensitive" provinces. The targets were improved living standards so that communist propaganda did not appeal to the people. But the government now ruefully admits that the communists are now trying to snatch the people's goodwill from the government. The communists appear to have succeeded despite the Accelerated Rural Development Programme and the suppression operations which take the form of a sophisticated war.

Five years ago, the suppression operations were launched, ironically on the basis of belief in Mao Tse-tung's famous aphorism on guerilla warfare about the guerilla among the people being like fish in water. So side by side with military operations, an attempt was made to drain water off from the fish, i.e. to cut the guerillas off from the people by shifting the people to new areas. This was the plan tried in Malaya during the 1948-1960 emergency. It was known as the Briggs plan after the British expert who devised it. By removing and shifting whole communities and populations from their environs and settling them in new areas, it was thought the guerillas could be deprived of their base, isolated, and annihilated through military operations. This technique was tried unsuccessfully against Montagnards in Vietnam. In Laos, it not only failed but threw up a new problem, of refugees. But the SEATO which has its headquarters in Bangkok and is a vital factor in the operations to suppress communists in Thailand still believes in the "draining the water off the fish" method. As a result, Thailand's insurgency problem has acquired a new dimension. Forced resettlement of people has covered such large areas in the traditional com-

munist pockets that it embraces the creation of a free-fire zone along the Thailand-Laos border.

A scholar who studied the results of the resettlement efforts has found that the refugees living in the new settlements add up to less than half of the population of the villages that were forcibly evacuated. More of the tribal people, especially the young males, went farther into the mountains than came down. Despite generous aid by volunteer groups and Thailand's SEATO allies (many of the areas would not have got roads but for the communist activity there) these resettlement schemes are poorly administered. For instance, at Rong San, the settled villagers were promised a dam which has not yet materialised after many years. No wonder the people are unenthusiastic about the operations to suppress communists. At Moi Ron Yen, scrapers used to clear the land also cleared the thin top soil. Corn planted there grew a few inches and withered. Obsessed with containing communism, the Thai government does not see the need to find adequate land to meet the requirements of the hill tribes or, alternatively, to modify the cultivation pattern to enable better use of land. Forced evacuation of people from the critical areas is no solution.

As an American correspondent who toured one of the insurgency areas reported, "in this area it is warfare *a la* Vietnam — complete with free-fire zones, helicopter gunships, refugees and a foe who won't leave his dead behind". The tactics of the government forces in this war are those worked out by the Americans in Vietnam. In 20,000-square kilometres of heavily foliated mountains at the trijunction of Phitsanuloke, Petchabun and Loi near the Laotian border, 4,000 government troops have not been able to get the better of 400 guerillas. The government forces operate from fortified camps and are equipped with the most advanced electronic communications equipment. The inaccessible camps are supplied by helicopters. United States weapons are there for keeps — M16 rifles, M79 grenade launchers, 50 calibre machine guns. Heavy military trucks are in common use. The forces can call in air strikes by T-28 singleprop bombers, OV-10 Broncos or helicopters and C-47 gunships. But the problem is to find something to shoot at. The hit-and-run guerillas do not leave any trace and the government forces cannot recognise a guerilla when they come across one be-

cause it is so difficult to tell them from the villagers. After sporadic encounters all that can be seen are blood trails leading off into the jungles.

The guerillas no doubt are poorly equipped. At best they might have the famous AK-47 rifles made in China, a proven guerilla weapon. They might also have a few M-1s, carbines and possibly a few heavy machine guns and B-40 rocket propelled grenades. In terms of weaponry, it is an unequal war. But the government forces comprise soldiers belonging to the central plains while the guerillas belong to the people, like fish in water.

So over a wide front, the Thai government fights its desultory war

against the communist insurgents who are gaining new adherents and are moving into new areas. The presence and the growth of the insurgency problem is a perfect alibi for many things for the Thailand's ruling elite. Thirty-five of the country's 71 provinces are affected by insurgency, to a lesser or greater degree. The government is reluctant to admit that the insurgency extends to the thirty-sixth province too because that happens to be the province of Chiang Mai. Chiang Mai is the king's resort and a big tourist draw and is known for its beautiful girls. But it looks as though Thailand would have had to invent an insurgency problem if one did not exist.

VIETNAM JOURNAL

A New Society through Education

Harish Chandola

HOW could a small and poor country like Vietnam of about 35 million people (the population of both North and South) defeat the massive aggression of the United States, a country of wealth, great resources and the most modern military equipment?

On the battlefield, the American soldier was a large, well-built, beef-eating, beer-drinking, gum-chewing man, going into attack on helicopters or in tanks or armoured vehicles with artillery and air cover. The Vietnamese soldier was a small man, often smaller than an average Indian, who travelled great distances at night, then spent hours digging trenches, ate a part of the ball of rice he carried which was his ration for the day and often longer, and then either waited for the attacking force and tore it into shreds or launched a surprise attack himself. And won.

The basic difference was that the Vietnamese was the product of a new society. The new society had educated him in military science, had provided him with the most valuable experience of its past struggles, particularly the fairly recent one against the French colonialists, had developed his initiative and had taught him new tactics. The entire activity of his society was geared to winning the war.

The fighter did not have to worry about his mother and father or wife and children back home. Because at home there existed a social system which looked after them as well as he himself would have, or even better. That system upheld and constantly

emphasised values, like faithfulness to the country, to one's husband or wife and family, all of which were a great assurance to the fighter. He came from a society where he was not a mercenary but a highly valued and respected member, where by fighting he was not serving somebody else's interests, but his own, his family's and his country's. (In contrast the army of the Saigon administration would just not exist if the United States did not provide the funds to pay for it.)

What were the essential ingredients of this society, which created a new Vietnamese man, a good peasant, a good worker, an able fighter and an able defender? These were: education for all, freedom for women from old bondages and then their participation in all activities as a new working force, and liberation of productive forces through new relations of collective ownership and of production.

Education has been the most essential factor of this relationship. The Vietnam Workers' Party felt that it would not be able to communicate with its people and build a new society if the people remained illiterate. When it first came to power in 1945, after the Second World War, 95 per cent of the Vietnamese people were illiterate. In 1955, after the defeat of the French and the restoration of peace in Indochina, there were only 716,000 students in all the primary, secondary and high schools of Vietnam, Cambodia and Laos. Last year, at the height of the US bombing, the number of students in the schools of North

Vietnam alone was 6,054,000, excluding those in night schools or doing spare-time courses and in institutes and universities.

To wipe out illiteracy, a mass campaign was organised by the Government of North Vietnam, after the war against the French ended in 1954. The slogan was that everyone who could read and write was a teacher. In each family those who could read and write had to teach others who could not. Children going to school had to teach their parents. Parents if they were literate had to teach their neighbours. It was the task of the literate to find the illiterate in his circle and educate him.

A mass propaganda campaign was launched to tell the people about the lives of slaves under foreign domination. The benefits of literacy were explained. The people were made to feel proud that they were now citizens of a free country. No free citizen could remain illiterate. A slogan painted everywhere said: "To study is to love the Fatherland."

Elementary classes were opened in every hamlet, village and locality; both day classes and night classes, so that the people could study everywhere, easily and at the time they were free. Millions of textbooks were printed for beginners and also for the teachers to learn new and fast methods of teaching. Self-study was encouraged. Learning the alphabet was made easy. Blackboards were put up everywhere: in market places, on roads, in village corners, displaying the alphabet so that the people could look at it and familiarise themselves with it while working. It was painted on water-buffaloes so that children looking after them could learn them.

A few years later, mild forms of discrimination were practised against those who refused to learn. Discrimination that did not deny much, but did hurt one's pride. Like when a family went to see a movie. Those who could read the line written above the entrance could go in and others not. The result was that the wife who learnt the alphabet went in with the children. And the husband who did not, remained outside.

In this manner illiteracy was wiped out in the five years between 1954-59. In the remote mountain regions and forests a few old men of some minority groups remained illiterate, but 99 per cent of the people had learnt to read and write.

(This should be a good example for us in India. We are busy creating new universities and institutions of

higher learning, like the Institute of Advanced Studies, etc, when after 25 years of independence nearly 70 per cent of our population remains illiterate. For whose benefit are these institutions of higher learning? Certainly not for the Indian people, most of whom, remain illiterate.)

The second important task taken in hand was to wipe out the feudalist and colonialist system of education and build up national, democratic and popular education. Teaching in the mother-tongue (Vietnamese) was introduced in all schools, and that played a major role in wiping out the colonial system of education. In the past, the medium of instruction in all secondary schools and universities was French. Even some primary schools taught in French. North Vietnam changed that totally and began using the Vietnamese language at all levels. That gave education its national character. It called for a great effort on the part of teachers and intellectuals to rewrite textbooks, work out new scientific and technical terms and compile dictionaries. If education had not been given its national character, Vietnam would not have won the victories it has. (Here lies another lesson for us in India).

The French colonial regime had instituted a primary, then senior primary, then secondary levels of education, corresponding to the differentiation of social classes. This was replaced by a three-level general education of ten years: the first level for children from 7 to 11 (4 forms), the second level for those from 11 to 14 (3 forms), and the third level for those from 14 to 17 (3 forms). Complementary education for adults was provided on lines parallel to regular general education. Any adult could join the spare-time courses of the level he desired.

The purpose of general education was to have healthy people with a good political consciousness and with a good knowledge of science and technology who could become good workers, good peasants and good fighters, capable of building up the country and defending it. From general education, students could go to higher institutes or universities.

Schools had to prepare pupils for the tasks that would be entrusted to them by society. A system was adopted according to which students studied in classrooms for half the day and spent the remaining half working, in agricultural co-operatives or in factories or workshops where they learnt rudiments of technology in conjunction with the scientific notions learnt at school.

The student who participated in production work produced material wealth and helped his family and the state cover part of the expenses on his schooling; this made it possible for most children to continue their studies. But production work was first of all a basic educative factor; it was not considered advisable to let young people engage in purely bookish studies upto an advanced age without using their hands.

In practice, tasks given to the pupils were in accordance with their ages and with local conditions of production. They started with the most simple work; cleaning and repairing school buildings, tree-planting, animal breeding, collection of scrap iron, etc, to be followed by more complex and technical work. In the mountain regions many boarding schools had their own collective farms. The aim was that education received at school must bring about a harmonious development of all human qualities and not result in an encyclopaedic overburdening of the memory.

New courses were devised all the time. In mathematics, for those going to anti-aircraft defence and artillery. In physics, for those going to work in power houses. In chemistry, for those going to specialised factories. In agriculture, animal husbandry and hydraulics for those going to farm co-operatives. The courses depended upon the requirements of the state.

I have myself seen workers from a Hanoi power house studying physics and mathematics at a night school. To improve the knowledge of the workers, factories sent them for higher education in their spare-time and even for full-time study courses on full pay. In this manner the tasks of production and higher learning went hand-in-hand. Many factories and farm co-operatives now have managers who had joined them as labourers and had then studied and improved their knowledge while working.

During the American bombing, schools became particular targets. Many of them were beautiful tile-roofed buildings easily visible amidst the green of the villages. Between 1964 and 1968, 1,589 schools were destroyed. Hundreds of others were destroyed last year. In southern provinces like Thanh Hoa, Nge An, Ha Tinh, Quang Binh and Vinh Linh, more than 30 per cent of the schools were destroyed. In Quang Binh every single school was bombed. But in the midst of the war of destruction, education was not only continued but made progress. Schools had to be dispersed, even those in villages. Each school

was split into small groups which were easily housed under trees in small hamlets.

Many students and teachers were killed in the bombing. However, school enrolment increased by nearly half a million every year. Braving the bombs, more than one million adults attended complementary education courses in their spare time. The educational system was not only maintained, it was also rapidly developed. At present all villages have their own schools upto the fourth form, and many, upto the seventh form. And all districts have schools upto the tenth form. Infant classes run by agricultural co-operatives have multiplied in the villages and, at the moment, North Vietnam has over 160,000 teachers teaching infant and pre-school classes.

Measures were taken, so that studies were not interrupted. Hundreds of thousands of students were transferred from the cities to the countryside and to forests, where new and smaller schools were built. Teachers and students were trained in protecting themselves from bombs and many were taught methods of treating bomb-victims. Every school was provided with medicines and implements to dig bomb-shelters.

Methods of teaching and organising studies had to be changed to suit war-time conditions. For instance, morning exercises were taken out of school time-tables. Students were told to perform them near their homes, in small groups under the guidance of teachers. The attempt was not to let the students concentrate at one place or in the school for a long time. Instead of the practical work done in schools before, students were sent out to fields or factories set up in places of evacuation under foliage, to limit their time in class-rooms. The time for self-study and group-study was increased.

Class-rooms were dug into the earth. Protective earthwalls two metres high and a metre thick were built around schools. Roofs were made of earth and grass, one-third of a metre thick to avoid pellet bombs, of which schools were particular targets. Some schools had ten kilometre-long trenches connecting them with hamlets, so that children could come and go back protected. Many had air-raided shelters five metres deep. This required great skillfulness in organisation and use of manpower.

With these and several other measures, too many to write about here, the US attempt to destroy the system of education in North Vietnam through bombing was completely foiled.

A Skeletal Approach

J DSouza

Models of Political Systems, by Morton R Davis and Vaughan A Lewis; Macmillan Press, 1971 by Pall Mall Press; pp 182.

IF variety and change are any measure of the importance of a discipline, then political science must surely rank high. Some idea of this variety may be gauged from the book under review "Models of Political Systems" by Morton R Davis and Vaughan A Lewis. The authors aim to provide an introduction to recent attempts at model-building in the study of political systems; or more explicitly to present some frameworks for a comparative study of political systems. The book is in four parts: introduction to modern political theory; structural-functional analysis; general systems theory; communications theory; typologies of political systems; and power.

In Part One, the authors provide a brief sketch of the genesis of modern political theory: the failure of and the dissatisfactions with the older approach; the new situation during the inter-war period and after World War II and some of the major figures who contributed to a widening of horizons, particularly Bagehot, Graham Wallas, and Max Weber. The lines of thought of these thinkers and the emphasis on scientific procedures by American political scientists, have given rise, according to the authors of this book, to a variety of methodological approaches. The authors then proceed to examine the underlying assumptions of these new approaches.

This is the least satisfactory part of the book. Since the work is meant to be an introduction to the writings of various thinkers selected for the purpose, its examination of the basic concepts of the modern approaches in political science — essentially political science as developed in the United States, as the authors affirm — could have been attempted in greater detail.

This was all the more necessary, as the emphasis among the model-builders examined is predominantly on science, empirical studies, and the systems idea. Though the authors mention some of the difficulties which arise in applying the methods of the 'hard' sciences to social phenomena (like the notion of a law), their treatment is inadequate. The fact is that social life is more in the nature of a seamless web and the very categories

that one employs are in the nature of mental constructs. As such, each investigator's assumptions, or theories, are of fundamental importance in the definition and marking out of categories. If there is some measure of agreement among social scientists, this could very well be accounted for on the basis of the sociology of knowledge — rather than with reference to the similarity of the phenomena itself.

Again, while general concepts like 'system', 'theory', 'law', 'model', are readily used, there is far from general agreement on their use. Though the authors present some of the difficulties in the use of these terms, it would have been far more helpful if they had not been so brief. They mention that the concept of a system gives rise to problems in political and social science, particularly with regard to marking out the boundaries of the system. But this is only one of the difficulties; more fundamentally, critics have even questioned the very advisability of using the concept of the 'system' in these fields. Often the term creates more problems than it is likely to solve. Seeing that the controversy about holism versus individualism has not been satisfactorily resolved, it is surely premature to accept one of the polarities without some consideration of the other. These and other questions have led critics such as H A Simon to query the necessity of using the term

and R C Buch to ask, "so what?" when confronted with the analogies of the systems theory.

Although the book contains a brief discussion at the beginning about theories, models, and law, this too would have borne elaboration. The different meanings given to the word theory, for instance, among social scientists, is bound to confuse. Moreover, the connection between theory and model is by no means as clear as one would like it to be. Van Dyke considers 'model' to be associated with imitation, explanation, and prescription. Herbert A Simon once took 'model' as a synonym for 'theory', and preferred the latter term. Others would regard 'model' as the wider, and theory as the narrower, term. Meanwhile, it is pertinent to enquire whether a model can be set up without a theory; to ask what the connection of these is to 'laws'; and further to consider whether laws are possible at all in dealing with human activities. A more detailed and clearer expression of these issues was certainly called for in a book which concerns itself with an exposition of the various models relating to political phenomena.

It is relevant to note that the model of one of the foremost advocates of the systems theory in politics, David Easton, has given rise (as the authors observe) to few attempts at being operationalised. With most of the proponents of the systems concept, there is in fact a sort of self-defence clause — in that, they say the concept of the system is an analytical device rather than an attempt to describe or reflect a concrete system. It can be questioned whether it is even as such necessary.

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Can one explain the complex by the simple? The authors mention that the interactions which interest political scientists form only a part of the total interactions of a society, and that the world system is used by the latter for this part. They also say that the 'concrete' system is made up of the totality of interactions, but that such a comprehensive model is too unwieldy to be operationalised meaningfully by empirical social scientists. Even with such a proviso, are terms like inputs, outputs, feedbacks, etc., as significant then as they are made out to be? A major question regarding the use of the concept of system, is whether it is in the mind of the social scientist only or in that of the actors themselves. If individuals — i.e., political and social actors — do not think of themselves as part of a system, or as acting to maintain one, how relevant is it to speak of it in this way? Does not the marking out of boundaries then become arbitrary? The whole problem of the nature of social reality rears its head at this point, and though it would be an oversimplification to think that it can be satisfactorily solved. Nevertheless, a clarification of the issues involved would not have been out of place.

This need is better appreciated when one remembers an observation such as that by Inkeles in connection with sociology, viz., that the models that sociologists prefer often become Procrustean beds to cut away all facts which do not fit. It would have been relevant, in this context, also to relate terms which are now in vogue, with traditional terms like State, Government, etc., which seem to be out of favour with systems theorists. Thus Almond, speaking of the political system, refers to it as "that system of interaction to be found in all independent societies which performs the functions of integration and adaptation...by means of the employment, or threat of employment, of more or less legitimate physical compulsion". Easton considers that what makes an act specifically political, is its "relation to the authoritative allocation of values for a society". The questions that arise are: Is the widening of the frame of reference a gain? Can one separate the legitimate, from the normative or the ethical? The questions become all the more critical in the face of serious difficulties in the way of making empirical generalisations about social phenomena. Could not empirically oriented political scientists be chasing a will-o'-the-wisp? Or, in speaking of equilibrium states and the requirements of the system, is there not a

danger of deifying the concept or falling into organismic fallacy? Hence a tracing of the differences and similarities between the newer concepts and models, and the traditional ones, might have helped place the more recent ones in their perspective.

In the exposition of the various models, however, the authors have done a competent job. Probably limitations of space (the book has only 161 pages, if one leaves out notes, bibliography, and index) have necessitated a great deal of compression; yet the reader would benefit by a careful reading of it. Part two deals with the analysis of G A Almond and associates, David Easton, David Apter and K W Deutsch. Part Three under the heading of 'Typologies of Political Systems' presents E A Shils and Modernisation, and G A Almond and Political Culture. Part Four dealing with Power considers R A Dahl's analysis and that of H D Lasswell.

Since at least three of the above authors deal specifically with the political aspects of development and modernisation, these sections should be of particular interest to students of such phenomena in the developing countries. Apter and Shils, in particular, should be quite stimulating and profitable, especially as the section on Shils is fairly detailed.

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Crash Scheme for Rural Employment Evaluation of the Programme in a District in Maharashtra

D P Apte

This paper summarises the findings of a study of the Crash Scheme for Rural Employment in a district in Maharashtra between June and September 1972. The objective is to note the difficulties experienced in the implementation of the programme and assess the role of the CSRE in creating employment opportunities in rural areas.

The implementation and functioning of the programme were studied for the purpose. In addition, a survey of a sample of 97 families of labourers engaged in two road works under the CSRE was conducted to get some information about their socio-economic conditions and the impact of the CSRE on them.

IN recent years Government of India has introduced various schemes to provide employment opportunities in rural areas. These include the programme of the Small Farmers Development Agency (SFDA), the scheme for Marginal Farmers and Agricultural Labourers (MFAL), the Crash Scheme for Rural Employment (CSRE), and the like. The schemes are formulated by the Central Government, and are implemented by the state governments at the district level through the Zilla Parishads.

Each of these schemes tries to cover a particular section of the rural population. For instance, small farmers are covered under the SFDA, while the MFAL scheme extends to marginal farmers and agricultural labourers. The schemes under the SFDA and MFAL do not provide employment directly, but enable the beneficiaries to receive loans for productive purposes thereby enabling them to secure additional income and employment. The CSRE is different from the SFDA and MFAL, in that, it was introduced in April 1971 'for alleviating the prevailing conditions of unemployment and underemployment in rural areas by generating additional employment through additional rural works'; it is intended to provide employment to persons belonging to families where no adult is employed or which suffer from inadequate employment.

An evaluation of the CSRE in a district in Maharashtra State was carried out, in the Agro-Economic Research Unit located at the Gokhale Institute of Politics and Economics, Poona by the Ministry of Food and Agriculture, Government of India, between June and September 1972. The implementation and functioning of the programme were studied for the purpose. Information available in the correspondence, circulars, records, etc., at the Zilla Parishad's

office, was used for the enquiry. In addition, a survey of a sample of 97 families of labourers engaged at two road works in the CSRE, was conducted in June 1972 in order to get some information about their socio-economic conditions and the impact of the CSRE on them.

The present paper summarises the findings of the study with a view to noting the difficulties experienced in the implementation of the programme and assessing the role of the CSRE in creation of employment opportunities in rural areas.

OBJECTIVES OF SCHEME

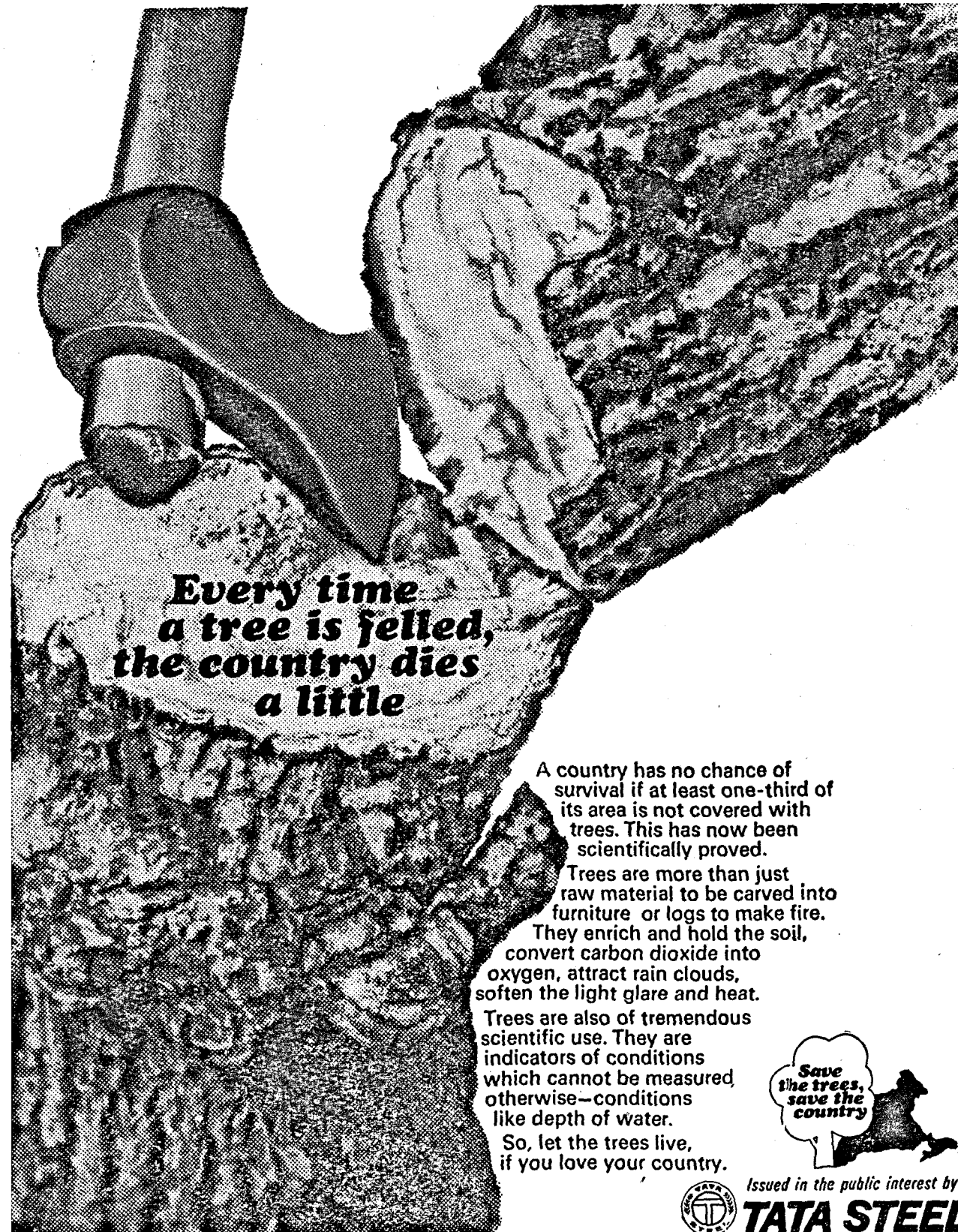
The basic objective of the CSRE is to generate employment in productive works for a thousand persons in each district, on an average, per year during the three years ending March 31, 1974. The scheme envisages that, if a year is taken as consisting of 10 working months and a month as consisting of 25 working days, on an average 2.50 lakh man-days of employment should be generated in every district. Considering the total number of landless labourers or persons with inadequate employment, in a district and considering the administrative organisation and resources required for the planning and execution of the programme, the creation of additional employment for a thousand persons in a district under the CSRE appears to be a very modest attempt to tackle the problem of unemployment and underemployment in the rural areas.

The other objective of the scheme is production of assets of a durable nature in consonance with local development plans, so that all-round development of the district is assisted through the execution of the projects which are essentially labour intensive. The projects may relate to road building, land development, minor irrigation, afforestation,

construction of additional class-rooms to the school building, or any other such works.

In the directives given, it is stated that the selected rural works should be located in areas of each district (i) where other special programmes such as the SFDA, MFAL, Drought Affected Small Holders, etc., are not in operation, (ii) where the percentage of landless labour and the incidence of unemployment is relatively high, and (iii) which are relatively less developed. The scheme emphasises that there is on the one hand need to generate employment for the rural people and on the other the equally important need to ensure that the fruit of their labour is durable and assists in the development of the district.

Two types of works, viz., construction of percolation tanks and roads, are included in the CSRE in the sample district. On completion of the works, the percolation tanks may help to add to the productivity of land and employment in agriculture; in addition, some of the 1,000 labourers participating in the CSRE may get further employment in agriculture after the expiry of the CSRE. It is doubtful, however, whether and to what extent the road works included in the CSRE will help all-round development of the district and generate additional secondary or tertiary employment — particularly since many of these roads may remain *kachha* roads and may become unusable if not properly maintained. It is feared that many of the labourers who get work in the CSRE at present may again face the problem of unemployment and low income at the expiry of the present programme. What then is exactly the objective of the government in launching this kind of an *ad hoc* programme for employment which does not assure continuity of employment beyond March 1974?



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FINANCIAL PROVISION

For the purpose of the CSRE the Central Government has sanctioned for each Zilla Parishad, through the state government, a sum of Rs 12.50 lakhs per year — i.e., Rs 37.50 lakhs for a period of three years, from April 1, 1971. When inviting proposals for the CSRE, the Government of Maharashtra asked the Zilla Parishads to submit proposals worth about Rs 50 lakhs. The government approved proposals worth about Rs 49 lakhs in the case of the sample district. It was, however, understood that the government's grant would not exceed Rs 12.50 lakhs per year. Due to the considerable time taken — in surveying and preparing plans, alignment, and estimates, and in obtaining sanction from the concerned government authorities — and also because the Zilla Parishads have simultaneously to carry out a number of other schemes, a substantial portion of the Rs 12.50 lakhs remained unspent during 1971-72. It is, therefore, desirable that the government carries forward to the following year the unspent grant from the previous year to enable the Zilla Parishads to complete the works proposed and approved in the scheme. Otherwise, the scheme will come to an end by March 31, 1974, leaving some of the works incomplete and without having had any significant impact. It was understood that, only in an exceptional case, a Zilla Parishad showing success in the implementation of the CSRE may receive from the government a grant to the extent of the full amount of the estimated expenditure on the works included in the CSRE and approved and sanctioned by government.

FORMULATION OF PROGRAMME

In the following paragraphs a brief account of the formulation of the programme is given.

From the time towards the end of February 1971, when the Secretary to the Government of India, Ministry of Food and Agriculture, wrote to the state governments, the Government of Maharashtra took about a month to write to the Zilla Parishads. Naturally, the Central Government's desire to receive the proposals in a consolidated state report by the middle of March 1971 did not materialise.

Though the state government wished to receive proposals from the Zilla Parishads within a week from the time they received its letter, the first proposals in the desired form could be formulated only after the conference of the Presidents and Chief Executive Officers of Zilla Parishads and District Collectors at Bombay in the third week

of April 1971, and the circulation towards the end of April 1971 of the guidelines approved by the State Level Co-ordination Committee.

It took another month to process the proposals, and the Government of Maharashtra communicated its sanction to a part of the proposed works in the sample district in the first week of June 1971. The process of revising and resubmitting the proposals in the prescribed form, consistent with the guidelines continued from June 1971 to February 1972. In between, a number of letters, telegrams, and telephone calls were exchanged between the state government and the Zilla Parishad. The proposals submitted by the Zilla Parishad in the third week of February 1972, were forwarded by the Government of Maharashtra to the Government of India in the first week of March 1972. Thus the process of formulating, finalising, and formally approving the proposals, took one full year after the Government of India circulated the scheme in February 1971.

It may be observed that the time limit, of a few weeks, set by the Central Government to receive the proposals from the state government and by the state government to receive the proposals from the Zilla Parishads, was too short. The formulation of a scheme, which has to include several works in different parts of a district and which is to be drawn up in consultation with the various officials of the Zilla Parishad and the District Co-ordination Committee, is bound to require some length of time. The CSRE is to remain in force for three years, and a period of three months may be considered reasonable for formulation of proposals in the desired form. The officials of the Zilla Parishad indicated that the fact that they have to implement a number of other programmes, such as the SFDA, MFAL, Scarcity Works, etc., must also be taken into account while requesting them to submit new proposals within such a short time.

WAGE RATE

In the outline of the scheme, circulated by the Ministry in February 1971, it was stated that "the persons who find employment under this Scheme through various work projects are to get wages according to local off-season rates... While these rates will no doubt vary from state to state, it is hoped that, by and large a per diem payment of more than Rs 3 should not be necessary. In any case, wages are to be contained within Rs 100 per head per month. The amount paid in wages is very crucial in determining the success of the Scheme; a wage that is

even marginally higher than the prevailing off-season rate will draw out people from their existing avenues of employment and thus frustrate the purpose of the Scheme. On the other hand, a perpetually lower wage may prove a disincentive even to the unemployed and it may not be possible to muster the minimum number of persons for the various work projects. Besides, the nature and location of works should be such as would generally provide continuous employment for a period of 10 months in a year. While it is recognised that there may have to be some deviations from this depending upon local conditions and employment pressures that build up during the peak agricultural seasons, a certain minimum measure of continuity in the implementation of work projects would nevertheless be necessary on considerations of efficiency and costs." A subsequent clarification from the government stated that, "since the employment is to be taken with reference to the locally prevailing wage rates, it follows that if people are not willing to work at the rate offered by the CSRE it is not unreasonable to assume that the problem of unemployment is not acute. Where private employers and others are prepared to offer high rates to attract labour, there is no need for operating the CSRE with an in-built lower rate in such area... It is possible that still some workers may on account of factors like low nutritional status, inexperience, general apathy, reluctance to work for full number of hours, etc., turn out, in a day, less work than the quantity assumed in the new schedule and thus earn in practice less than the daily off-season wage rates; this cannot be helped. It is hoped that most of them will improve their turnover with experience. If there are a larger number of cases that do not respond to experience and continue to earn significantly low amount, the matter may have to be reviewed with a view to devise suitable remedial measures, if possible... Rs 100 per month is not a ceiling and does not mean that an efficient worker should be asked to stop work or go slow if he earns by piece rate of Rs 100 in less than a month. The maximum is by way of a guideline for preparing estimates and laying down norms."

The guidelines from the government neither made any specific distinction between the wages to be paid to male and female labour — presumably because of the emphasis in the guideline to the local off-season rates — nor referred to the employment to children or old people. The wages normally paid to male labour in the sample district and in many parts of the state are

about 50 per cent more than the wages paid to female labour. However, the Zilla Parishad decided to pay wages at a uniform rate, of Rs 3 per day, to both male and female workers. The uniformity in wage rates results in attracting females in larger numbers and consequently in lower output as women are not able to work as hard as the men.

ATTENDANCE AT WORK

A scrutiny of the attendance musters for a period of about nine weeks between March and May 1972 in respect of two road works, showed that at one of the works only 20 per cent of the workers attended the work regularly and about 50 per cent of the workers attended the work for only about half the number of working days during the reference period. At the other works also, here were several instances of inadequate and irregular attendance and the officers of the Zilla Parishad had to warn the Block Development Officers and the village servants to see that the workers turned up in adequate numbers.

From the data collected through the survey of the 97 families of labourers participating in the CSRE, it was found that a majority of them were landless labourers or small farmers with less than four acres of land. Their annual income was also low, being less than Rs 1,000 in a majority of the cases. There were wide fluctuations in day-to-day attendance of the labourers in the works undertaken in the CSRE. It was not possible to find out the reasons for the absence of continuity in attendance of the labourers, as it would have taken considerable time to contact the labourers. During the course of a visit to one of the road works, however, the research staff enquired as to why some of the labourers who had reported for work on the day prior to the visit did not report for work on the day of visit of the research staff. Our staff was told that most of them had to go to the district headquarters, which was situated at a distance of five miles, for purchases of grocery, etc. If the labourers could not afford to miss a day's wages in order to make purchases for some festival, it means that they are really not pressed. Or it may be that their attachment to life is less ambitious and they are content with whatever they can earn by working in the CSRE. It never occurs to them that they should never feel like working. The vision of an assured employment at Rs 3 per day in the CSRE really amounts to encouraging this attitude on part of the workers. In such circumstances, it will be necessary to decide whether such labourers should be pena-

lised for irregular attendance or be refused employment in the CSRE.

For economy and efficiency in the execution of works, continuity in employment of a certain minimum number of labourers is necessary. If it is not possible to penalise the labourers for absence and irregularity of attendance, it should be considered whether it will be possible to reward the labourers who show regularity in attendance. Rather than pay Rs 3 per day, the administration could decide to pay Rs 2.50 per day or Rs 18 per week in respect of attendance for six days in a week. Maybe, in order to get a paid holiday on Sunday, the workers will be tempted to report to work regularly for six days in a week and payment of Rs 18 per week in such cases will in effect come to Rs 3 per day. If properly planned and implemented, the CSRE has a definite role to play in helping landless labourers and small farmers in the region to add to their income at least upto March 1974 by participating in the CSRE.

PREPARATION OF LIVE REGISTERS

Regarding the persons to be employed in the scheme, the following directive was given in the outline of the CSRE circulated by the Ministry in February 1971. "The Scheme is designed to provide employment primarily to those who belong to families where no adult member is employed; the Scheme has, however, also to take note for employing others, keeping in view the problem of underemployment and seasonal employment." In the outline of the CSRE circulated by the state government in May 1971, also, it was stated that, "the 1,000 persons to be employed under the Scheme have to be identified in a carefully prepared list which should be kept under constant scrutiny. The labour should be local, and not migratory, contract, or imported labour, because the objective is to create local employment for the local people."

The Chief Executive Officer asked the Block Development Officers to prepare live-registers as per the criteria contained in the guidelines. They were asked to include persons who were residing in the villages located within a radius of 3 to 5 km from the worksite and who are not likely to find employment anywhere. A systematic preparation of the live-register required visiting every family in the village to find out whether they did not have any adult member employed as also to know how many members were underemployed or seasonally employed. The Block Development Officers prepared the live-registers with the help of the Extension Officers, Overseers, Gramsevak and Sarpanch.

While comparing the actual attendance with the number of persons on the live-registers, it was found that at a number of works less than half the number of persons on the live-registers reported for work. It was not possible to verify whether the live-registers included some persons who really were not eligible for inclusion therein; nor was it possible to know the reasons for not reporting of those whose names appeared in the live-register.

It was noted from the records, that the Deputy Engineer and the overseers watched from time to time the live-registers and if there were any fresh applicants the Block Development Officer, after verification, arranged to get their names included in the live-register. The office staff, if it came across any deviations from the live-register, warned the concerned supervisors.

DIFFICULTIES IN IMPLEMENTATION OF PROGRAMME

The difficulties in implementing the CSRE in the sample district were those associated with the initial stages and responsible for causing delay in starting the work, as also difficulties which appeared after the work was started including those relating to the administrative matters.

For the road construction project, it is necessary to get approved the alignment of roads from the competent authority — in the case of the sample district, the Superintending Engineer, B and C from the neighbouring district. The detailed plans and estimates are then prepared, which also need to be sanctioned by a competent authority. Hence the delay in starting the road construction works. In respect of percolation tanks, in many instances a large part of the land where the work was to be started was under standing crop. The work could be started only after the crops were harvested. Hence the delay. The shortage of overseers and supervisors in the initial period also caused delay in starting the work.

In some cases, the delay was due to unwillingness of villagers to give up the land required for the work or due to villagers objecting to the proposed alignment as it affected the land owned and/or cultivated by them. There is no case, in the sample district, of compensation being given for acquisition of land for CSRE. Sometimes, the delay was due to the villagers either wanting the proposed road to pass through the residential parts of the village or not wanting it through the residential area.

At some of the works, the female workers reported for work in larger numbers as compared to the male

workers. As there was no formal guideline indicating the ratio of male to female workers, women from the live-register who sought employment were employed even though it resulted in higher proportion of females to males. There being no upper limit regarding age, it was difficult to reject old persons even if they were not capable of doing hard work. The payment of a uniform wage rate to male and female workers as well as to the young and the old, created a sense of dissatisfaction among the able-bodied persons. Besides, such a heterogeneous composition of workers resulted in the output not being commensurate with the wage rate of Rs 3 per day. The officers of the Zilla Parishad stated that in a number of cases the males in the family had migrated to Bombay, to the district headquarters, or to neighbouring towns, in search of employment, resulting in a higher proportion of females at the works under the CSRE.

At some of the works, the attendance of labourers was irregular and much below expectation considering the number of workers listed in the live-register. The Executive Engineer and the Deputy Engineer had to warn the overseers, supervisors and Block Development Officers to muster adequate number of labourers, whereupon they approached the Sarpanch and the labourers warning them that the works would have to be closed if the labourers were irregular in attendance and did not report in adequate numbers. At some of the works, the overseers and supervisors had to go round and invite workers to come to work when their number dropped considerably.

In the construction of some road works, even though a large number of persons from the villages within the specified distance from the proposed works had been listed in the live-register, workers from some of the villages do not report for work — the reason being that they live in the villages in the hilly part of the region or located at the other end of the road work. It was stated that they would report for work when the section of work at their end is taken up. However, at that time, workers at present engaged in the work may not report for work as they would not find it worth their while to walk up and down everyday a distance of 6 km in the hilly part. This partly explains lower attendance as compared to the persons on the live-registers.

When the output was not commensurate with the wage rate of Rs 3 per day, at one of the road works it was reduced to Rs 2 per day in respect of female workers for a particular fort-

night. Such action resulted in general dissatisfaction, go-slow methods, and threats to go on strike — sometimes bringing the work to a standstill.

During the summer, it is necessary to fetch from a distance the drinking water needed for the workers engaged in the CSRE. In the Scarcity Works there is a regular provision of workers for fetching water. In the CSRE, a few workers have to devote themselves to fetching water. The supply of drinking water is necessary to maintain the efficiency of the workers. If the wage rate is to be related to output, then it will be necessary to provide separate staff under the CSRE projects to fetch water.

In respect of the percolation tanks, after a certain stage, the required material is not available nearby and has to be carried over long distance. As a result, the output is not commensurate with the wages paid.

A jeep is neither purchased nor placed exclusively at the disposal of the CSRE staff. Sometimes it is difficult to get a jeep from the Zilla Parishad. If a jeep was to be placed exclusively at the disposal of the CSRE staff, it would enable frequent visits to project sites and better supervision; some works are either not connected by ST buses, or the buses make only one trip each way per day so that the overseer has to spend a full day if he wishes to visit the work.

The workers complained of the time-lag between the day of work and date of payment. The payment in respect of the work done during a particular fortnight is received after about two weeks. It is desirable to arrange for a weekly payment to enable the workers to make their purchases at the weekly market.

ROLE OF THE CSRE

The CSRE is one of the few schemes introduced by the Government of India to generate additional employment in the rural areas. The CSRE has a very limited role to play, as it is expected to generate employment to only about 1,000 persons or about 2.50 lakh man-days in a year in each district. In view of the experience of the CSRE, gained so far, it is necessary to consider whether the CSRE programme should be confined to just a few works in a district, or whether it should extend to some 15 to 25 works scattered over a few talukas in a district. It is felt that concentrating on a few works rather than thinning out executive resources over a number of works, will enable the authorities to implement the programme more efficiently and successfully. Even if a large number of works are included, they should be located in clusters. It will

be possible then to take up one work after the other, to provide continuous employment without requiring the participants to migrate from the villages of their residence.

In the outline of the scheme circulated by the state government, it was stated that "the effective employment of 1,000 persons in each district or 25,000 in the state on a continued basis for three years, would make this group of workers almost analogous to the experiments of 'Land Army' or a 'Rural Development Corps' tried in some other countries". The experience of the CSRE in the sample district is that the workers are irregular in attendance and report in inadequate numbers and that there are disproportionately larger numbers of females in some cases. In the circumstances it is not possible to raise anything like a 'Land Army' or 'Rural Development Corps' from the CSRE.

The failure on the part of a large number of workers to report to work or to report regularly, at the wage rate of Rs 3 per day, may be due to any one or more of the following reasons.

The live-registers may be faulty and many of those enlisted in the live-register may really not be on the lookout for employment in the CSRE. For the preparation of live-register, a visit to every family in the village is a prerequisite to ascertain whether any member in the family fulfilled the qualifications prescribed for inclusion in the live-register. This is a time-consuming work. In view of the limited time and staff available for the work, it is possible that the live-registers were not prepared with necessary diligence.

The failure could also be due to the labourers feeling disinterested because the wage rate in the CSRE is not attractive. Was the wage rate of Rs 3 per day less than the local off-season wage rate in the region? This is true to a very limited extent, in the sense that, at the district headquarters in the sample district, non-agricultural employment in the town was available at Rs 4 per day for male workers so that those who could afford to migrate to the district town would consider the wage rate in the CSRE unattractive. On the other hand, the wage rate for females at the district headquarters was Rs 3 or less. Consequently while there was a tendency among the male labourers to seek employment in the CSRE whenever they found it convenient, the female workers sought work in the CSRE at Rs 3 per day. Thus the wage rate of Rs 3 per day for females which is higher than the local off-season wage rate needs downward revision. Since the CSRE is

not a programme for giving relief to the unemployed, it is reasonable to suggest that the wages should be linked to the output and that wherever output is not commensurate with the wage rate of Rs 3 per day, the Officers should be authorised to sanction an appropriate lower rate. The need arises particularly because at present in some cases females and old men appear in larger proportion and are unable to do hard work.

Considering the workload in respect of the implementation of various schemes in relation to the executive staff available at the district level, it is desirable to consider whether the various employment schemes such as the SFDA, MFAL, CSRE, and the like, should be consolidated into a single scheme with a view to organising more effectively the overall development and employment programme for each district.

The formulation and implementation of the CSRE raises some fundamental problems. The works selected for inclusion in the CSRE are mainly percolation tanks and roads. If, however, the object of the scheme is to provide continuous employment to 1,000 workers in a district it will be necessary to organise the works in such a way that the persons considered eligible for employment in the CSRE will get employment for the duration of the scheme without being required to migrate from their village. Either the works included in the CSRE should be sizeable enough to provide employment for three years to the expected number of participants or it should be possible to take up new works nearby after completing the first one, so as to offer continuous employment.

The failure of the workers to seek continuous employment could also be due to the uncertainty about the future — since present scheme does not indicate any plan beyond March 1974. The present programme is *ad hoc* in this sense, and the Government should consider a long-term programme. In this context, it will be necessary to improve the existing set-up for planning at the district level. The experience of the CSRE shows that Zilla Parishads really have not thought about feasible work for economic development. The Zilla Parishads should prepare a list of works for creating assets, durable in nature, in consonance with the local resources and local development plans. This will require careful feasibility studies, with detailed plans — both engineering as well as administrative — for execution of the works. It is felt that Zilla Parishads would be then better equipped to utilise fruitfully any assistance that may come from the state or Central governments in the future.



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Proletarian Internationalism and the Socialist Camp

Lajpat Rai

Since the warm, honoured-guest treatment given last year to Nixon in Peking and Moscow by the leaders of the communist parties of China and the Soviet Union, at a time when American B-52 bomber planes were blasting life out of existence in Vietnam and when his navy had just ruined and blockaded the major supply ports of North Vietnam, many people have begun to wonder if the classical concept of international proletarianism has not become obsolete, a mere slogan, an idea worthy of no respect. Some have even begun to question the veracity and correctness of this idea on which Marx and Engels had based their epoch-making Communist Manifesto and on the basis of which they had brought into existence the first viable international organisation of the working class.

It might, therefore, be worthwhile to examine the importance and the objective roots of the concept of international proletarianism, its vitiation and betrayal by the Soviet bureaucracy after the death of Lenin, and its vulgarisation and misuse by Stalin and his present-day successors, with a view to restoring some of its lost lustre by exposing those who have converted it into a convenient tool for harnessing the world working class and communist movement in the service of their narrow national interests.

WHEN in his famous message to the *Tricontinental* magazine, Che Guevara spoke of developing a "true spirit of proletarian internationalism with international armies" and of the duty of an American, Asian or European revolutionary to fight and "die under the flag of Vietnam, Venezuela, Laos, Bolivia..." he was laughed at and ridiculed as a "visionary" in the European socialist countries, just as Fidel Castro was called a "political charlatan" for demanding in the name of socialist solidarity that "no socialist state will lend financial and technical assistance to governments that are engaged in suppressing the guerillas fighting for freedom and socialism".² And when Castro exhorted the socialist camp to "take all necessary risks for Vietnam" and equated the Cuban revolution with the Latin American revolution and the Latin American revolution with the world revolution, he was dubbed a "dogmatist" and "immature petty bourgeois" who had yet to qualify as a Marxist, in the capitals of Eastern Europe. This reaction is indicative of the changed ideological climate prevailing in the socialist camp in which the concept of proletarian internationalism has been reduced to a mere cliché and where nation-states imbued with the spirit of political opportunism are fighting desperately, singly or in groups, for preserving their own peace and advancing their own economic interests even at the cost of each other and the peoples of the third world, often in co-operation with imperialism.

There was a time when the Cuban leaders were not only invoking the spirit of proletarian internationalism, but were also practising this basic

principle of the world communist movement in Latin America, by actively helping the guerilla movements (both with men and material resources) in Venezuela, Colombia, Peru, Bolivia and even Brazil. In its 'position paper' at the OLAS conference, the Cuban delegation while emphasising internationalism had quoted Lenin — the head of the newly born workers' state — who had declared:

"We do not fight for power... we do not defend national interest. We state clearly that the interest of socialism, the interest of socialism in the whole world would come before our national interest, before the interest of the Soviet state".³

But Lenin's successors have turned this principle up-side-down, namely, the interests of the Soviet state now come before the interests of socialism, the interests of socialism in the whole world. And the 'visionary' Che Guevara, when he spoke of the international proletarian armies "fighting to redeem the sacred cause of humanity", had perhaps in his mind the appeals and statements of the First Congress of the Communist International in which the Red Army was presented as "the army of the international working class" and in which it was stated that "the moment is coming near in which the international red army will be created".⁴

But the winds of change have even swept away the Cuban exuberance for international solidarity, whose leaders have now washed their hands of the guerilla movement of Latin America and declared supinely that they have "utmost faith" in the foreign policy of a socialist country which was not too long ago accused by them of having forsaken the idea of internationalism.

Since Nixon's visits to Peking and

Moscow in February and May 1972, where that imperialist chieftain was given warm, honoured-guest treatment by the leaders of the communist parties of the two countries, at a time when his B-52 bomber planes were blasting life out of existence in Vietnam and when his navy had just ruined and blockaded the major supply ports of this brave little country of the socialist camp, many people have begun to wonder if the classical concept of international proletarianism has not become obsolete, a mere slogan, an idea worthy of no respect. Some have even begun to question the veracity and correctness of this idea, of this great concept, on which Marx and Engels had based their epoch-making Communist Manifesto and on the basis of which they had brought into existence the first viable international organisation of the working class. It might, therefore, be worthwhile to examine the importance and the objective roots of the concept of international proletarianism, its vitiation and betrayal by the Soviet bureaucracy after the death of Lenin, and its vulgarisation and misuse by Stalin and his present-day successors, with a view to restoring some of its lost lustre by exposing those who have converted it into a convenient tool for harnessing the world working class and communist movement in the service of their narrow national interests.

According to Lenin, nationalism has an intermediate social content and can serve as a vehicle both for bourgeois chauvinism and revolutionary self-determination. The early Bolsheviks, particularly Lenin, were closely concern-

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HISTORY AND ACTIVITIES

The Company was incorporated on 6th January, 1967 in the State of West Bengal under the provisions of the Companies Act, 1956 as a private company but was converted into a public company on 14th November, 1972. Since its inception, the entire share capital of the Company is held beneficially by the Government of West Bengal and consequently it is a 'government company' within the meaning of the Companies Act, 1956.

The Company was incorporated with the objects stated in its Memorandum of Association. Its main object is to secure and assist in the expeditious and orderly establishment, growth and development of industries in the State of West Bengal.

The Company started functioning with special emphasis on the development of medium and small enterprises and till the end of 1971 its activities were confined to providing financial assistance of various descriptions to the existing undertakings in the private sector.

Since then a special emphasis has been laid both by the Central Government and the Government of West Bengal on accelerated industrial development in the State of West Bengal. The Government of West Bengal decided that the Company should work as a promotional institution for the development of industries in the State of West Bengal as well as the authorised agent of the Government of West Bengal for the purposes of the West Bengal Incentive Scheme, 1971.

Consequently, the Company has been working in the state of West Bengal in close co-operation with other financial and banking institutions. In West Bengal, certain projects are being sponsored by the Company as its own and many more are being sponsored by it in the private sector.

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8 Lord Sinha Road, Flat 5
Calcutta 16.

Shri Udayan Chatterji
21 Waverly Mansions
72/4 S. N. Banerjee Road
Calcutta 14.

Dr Subodh Kumar Mukherjee
Basant Vihar
13 Palam Marg
New Delhi 110057.

Dr Phiroze Behramshaw Medhora
Shangrila, North Colaba
Bombay 5.

SECRETARY

Shri Asit Ranjan Bose
157/4/1B Bakul Bagan Road
Calcutta 25.

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of Rs 1,000 each Rs 96,40,000
fully paid up

PRESENT ISSUE

800 6 per cent BONDS [to be called "6 Per Cent West Bengal Industrial Development Corporation Limited Bonds 1958 (First Series)"] of Rs 25,000 each for cash at an issue price of Rs 99.75 per cent, payable in full on application Rs 2,00,00,000*

*The Company has, however, the right to retain additional subscription to the extent of 10 per cent of the amount mentioned above.

The principal amount of the Bonds will carry interest at the rate of 6 per cent per annum (subject to deduction of tax at source at the rates prescribed from time to time) payable half yearly on 15th October and 15th April each year for the periods ending on 30th September and 31st March respectively except that the initial proportional payment of interest will be made on 15th May 1973 in respect of the period from the date of application to 31st March, 1973. Bonds will be redeemed at par plus accrued interest thereon, if any, on 28th March, 1985. The issue of the Bonds has been approved by the Controller of Capital Issues, the Reserve Bank of India and the Government of West Bengal. The Company has been authorised by the aforesaid Authorities to retain subscriptions received to the extent of 10 per cent in excess of the sum of Rs 2 crores.

The repayment of the principal amount of the Bonds and payment of interest thereon at the rates and in the manner referred to above are guaranteed by the Government of West Bengal.

Applications for Bonds must be for a minimum nominal value of Rs 1,00,000. Applications from persons resident outside India or their nominees will not be considered.

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29 Netaji Subhas Road
Calcutta 1.

AUDITORS

Messrs B C Kundu & Co
Chartered Accountants
'Faraday House'
P-17 Mission Row Extension
Calcutta 13.

OPENING AND CLOSING OF THE SUBSCRIPTION LIST

THE SUBSCRIPTION LIST FOR THE BONDS WILL OPEN AT THE COMMENCEMENT OF BANKING HOURS ON 26TH MARCH, 1973 AND WILL CLOSE AT THE CLOSE OF BANKING HOURS ON 28TH MARCH, 1973 OR EARLIER AT THE DISCRETION OF THE BOARD OF DIRECTORS OF THE COMPANY.

ECONOMIC AND POLITICAL WEEKLY

March 24, 1973

ed with relations between the national and social revolutions in backward and oppressed countries and were first to analyse their inter-connections. Thus, in his last 'testament' Lenin decried the great Russian chauvinism displayed by Stalin and Dzerzhinsky and expressed the apprehension that it would permeate the Soviet state apparatus. Such chauvinism, Lenin feared, would do infinite harm "not only to us, but to the whole international, and to the hundreds of millions of people in Asia who are destined to come forward on the stage of history, following us".⁵ The early Bolsheviks considered their national triumph the mere beginning of an era of world revolution. "To the Russian proletariat has fallen the great honour of beginning the series of revolutions which the imperialist war has made an objective inevitability", wrote Lenin in March, 1917,⁶ and as noted earlier he emphasised after the victory of the Bolshevik revolution that the interests of the Soviet state would be subordinated to those of world socialism. For the Bolsheviks, proletarian internationalism was not, therefore, a mere sentimental notion which "falls apart at the first rumbles of a war" or can be sacrificed at the altar of petty economic or political advantage. For them it was a fundamental concept, the very basis of the international revolutionary movement telescoped in a single slogan by Marx: "Workers of the World Unite".

In this famous phrase, the Communist Manifesto had proclaimed that the worker had no country; that those like the workers, who lacked property, also lacked bourgeois rights and representation and were "outside bourgeoisie society" and thus had no stake in the bourgeoisie 'nation'. The Manifesto's declaration that the workers had "nothing to lose but their chains and a whole world to win" merely expressed the revolutionary side of the same social pattern. The historic Communist Manifesto (now a forgotten document in the socialist camp) also laid emphasis on the fact that the developing productive forces break out of the national framework, create the world market as well as the proletariat whose mission is to destroy the capitalist world system. Pointing out the specific features of the working class struggle, the Manifesto declared:

"Though not in content, yet in form, the struggle of the proletariat with the bourgeoisie is first a national struggle. The proletariat of each country must, of course, first of all settle matters with its own bourgeoisie".⁷

Thus, for the founders of scientific socialism, while the form that class

struggle takes is primarily national because the proletariat has to win power in separate countries, yet the content of this struggle is international because its objective — creating a socialist society — is international in character. Later, at the time of the founding of the First International Marx emphasised: "that the emancipation of labour is neither a local nor a national problem, but a social problem embracing all countries in which modern societies exist".⁸

Marx reaffirmed the same positions in his critique of the Gotha Programme which was directed against those who "conceived the workers' movement from the narrow nationalist standpoint".⁹ Marx severely castigated Lassalle for ignoring the international functions of the German working class in the programmatic document of the German labour movement by pointing out that it contained "not a word about the international functions of the working class whose professions of internationalism are even infinitely below that of the Free Trade Party".¹⁰ The First International disappeared, but it was reconstructed and until 1914, its theoretical and political necessity as well as its authority was never seriously challenged. The outbreak of the First World War marked the failure of the Second International as a revolutionary rallying point for the world working class. The Second International's betrayal of proletarian internationalism in August, 1914, flowed from the opportunistic degeneration of this organisation and its various sections. The First World War exposed the fundamental feature of reformism in the international working class movement — reformism based on the adaptation of working class parties in each country to their respective bourgeoisie in the name of national interest. In defending revolutionary Marxism throughout the First World War, Lenin and also Trotsky and Rosa Luxemburg reaffirmed the fundamentally international character of the class struggle and the necessity of putting proletarian internationalism above all else in order to prevent any recurrence of the betrayal of August 1914.

They all declared themselves for reconstructing an International in which the so-called national interest would be subordinated to the needs of world revolution anywhere. Any tendency that might encourage "social patriotism" would be rooted out. With the victory of the October Revolution, the question of proletarian internationalism took on new dimensions and thereby much greater complexity. The Second Inter-

national had attacked the revolutionary politics of the successful Bolsheviks and in effect had joined forces with the international counter-revolution. Lenin's call for a Third International was, therefore, equally a call for solidarity with the existing Soviet regime and an affirmation of its specific violent revolutionary path to power. The workers of world mobilised their forces against imperialist intervention on Soviet territory, and the Soviet regime and the Third International, while practising a certain separation of tasks supported all revolutionary actions of the workers against capitalist rule taking place throughout the world.

But soon after Lenin's death and with the ascendancy to power of a bureaucratic regime in Soviet Russia around 1922-24, new conceptions made their appearance leading to the distortion of proletarian internationalism as well as the perversion of the policy of the communist International and its sections. This began with the acceptance of the theory of "building socialism in one country" which introduced a dichotomy between the development of the Soviet Union and the advance of the revolution in the rest of the world, for according to this theory socialism could be built in Soviet Russia irrespective of what happened to movements in other countries.

Defence of the USSR in isolation from the revolutionary developments in the rest of the world became a prime element in the policy of the communist International and its sections. From there it was only a short step, and one quickly taken, to subordinate the policies of their organisations to the needs of defending the Soviet Union as conceived by the Stalinist bureaucracy. This led "not to the lessening of the nationalist emphasis, but to its intensification in international communism".¹¹ Russia's insulation also gave rise to a leadership with a sharply nationalistic and bureaucratic orientation, for whom internationalism soon became a one way affair, with the Marxist parties straining to the utmost in defence of the first workers' state. The combination of these factors led to a reformist orientation among the parties of the Cominform who in their anxiety to avoid collision between the bourgeoisie states and the Soviet Union confined themselves within the bourgeoisie stage of the revolution instead of pushing it towards the socialist stage, adopting thereby a reformist posture towards bourgeoisie power and the capitalist status quo. And this primary emphasis on external co-existence with the bourgeoisie nation-states inevitably led to a policy of co-existence between social classes within these nation-

states. Thus, the roots of reformist deviation in the world communist movement can be directly traced to the abandonment of the concept of true internationalism by the Cominform parties at the behest of the Soviet leaders who dominated this international organisation. The Cominform and its sections did not base their policies on the objective course of the struggles of the world people, but on the exigencies and requirements of the Kremlin's diplomacy.

For the Kremlin, the future of the Soviet Union no longer depended on revolutions in other countries but on maintaining the *status quo*. As a result more than one mass revolutionary movement (the German revolution of 1923 and the Chinese revolutionary wave of 1925-27) was sacrificed and abandoned to suit the needs of Kremlin diplomacy. The case of China is highly instructive. China was a typical semi-colonial country economically more backward than Czarist Russia. At the same time, the relationship of forces in China was more advantageous for a proletarian victory as its belated bourgeoisie-democratic revolution had already demonstrated its feebleness and inability to solve the urgent questions of national and democratic development. Yet the Comintern imposed on the Chinese CP a diametrically opposed strategy which led to disastrous results. Anxious to preserve the *'detente'* with the west, which was by then the sheet-anchor of Soviet foreign policy, and in contrast to the essence of Lenin's approach in Russia, it ascribed to the Chinese bourgeoisie the leading role in the anti-feudal and anti-imperialist struggle and ordered the communists to join the Kuomintang and submit to its discipline. Although a bourgeoisie nationalist party, the Kuomintang was even allowed representation in the communist International with rights of an associate member, while Chiang Kai-shek was given an honorary seat on the Comintern's executive. The tragic denouement of this class-collaborationist and opportunistic line imposed on the Chinese Party came in 1927 when Chiang Kai-shek proceeded to massacre tens of thousands of disarmed (disarmed by the CPC at the orders of Stalin) Shanghai workers and party activists, including the help-less communist leaders.

This purge of the communists by the Kuomintang was carried well beyond the Shanghai events as were the Kremlin-dominated attempts by the Chinese communists to continue to collaborate with Chiang by helping him to stem the leftward surge of the Chinese masses. In the end the Communist

Party of China took years to recover from this deadly blow and re-emerged as a political force only after disregarding the Comintern's advice and by re-discovering in its own terms the theory and practice of the Chinese revolution under the leadership of Mao Tse-tung. Discounting the possibility of a successful socialist revolution in China, a scepticism maintained until 1948, the Kremlin leaders, dominated in their outlook by the short-term security and diplomatic interests of the Russian state, were rapidly led to subordinating revolutionary internationalism to *raison d'état*. They never gave up invoking 'internationalism', but always to demand the loyalty of the communist parties on the fallacious premise that the interests of the Soviet state and the world revolutionary movement were and are the same and could never be in conflict with each other. And, as Isaac Deutscher has put it, "Russian nationalism was thus elevated to the position of revolutionary internationalism and a myth was created according to which the highest duty of a communist was to act in the defence of Russian national interests, beginning with the defence of the Soviet Fatherland."¹² This led to, what E H Carr calls, "internationalism becoming an 'internationalism' of a very 'special type', expressing as it did solidarity with a particular national expression"¹³ of the world revolution.

The concept of international proletarianism propounded by Marx and Engels and nurtured by Lenin and his Bolshevik colleagues was thus vitiated by Stalin and the successive Soviet bureaucracies and sacrificed at the altar of the Soviet state's strategic, political and diplomatic interests. Today, this line is expressed, allowing for new circumstances and relationships of power in the post-World War II period, in the Soviet Union's limited support to Vietnam, where the objective is not victory for the Vietnamese revolution but merely a *modus vivendi* with imperialism within the framework of economic co-operation and peaceful co-existence.

III

Despite the fact that Stalinist policy at the end of the Second World War successfully blocked the revolutionary upsurge in Western Europe, new socialist states emerged in Eastern Europe independently of that policy and sometimes even in opposition to it. In addition, the post-War world saw a new spirit of resurgence in the colonial and semi-colonial countries. The question of proletarian internationalism thus had to take account of these new factors

arising as a result of the changed balance of forces in the post-War world. It was obviously natural for the leadership in the colonial and semi-colonial countries to lay strong emphasis on the national side of their struggle, whose international aspect lay in world-wide solidarity against imperialism — a solidarity which often waned after the achievement of independence, especially when the revolution did not go on to the socialist stage.

But matters appeared in a scarcely better light even for those movements which claimed they were socialist or Marxist. Now for them the question could no longer be one of defending an isolated workers' state — the Soviet Union — as before the War. An attempt was made to replace the slogan, "Defence of the Soviet Union", with the concept of "Solidarity of the Socialist Camp", in which the interests of the Soviet state were once again to prevail over the rest. This was witnessed first of all by Stalin's indulging in a policy of pillage in the territories occupied by the Red Army, a policy modified only slightly among countries which eventually fell into the "socialist camp". The same trend was witnessed when Stalin established "normal trade relations" with the newly formed workers' states. This "normal trade" later called "mutually beneficial trade" was conducted on a basis which meant that in commercial relations between socialist states — as between capitalist ones — the economically more developed countries absorbed part of the surplus of the less developed ones. This fact was pointed out firstly by the Yugoslavs and then the Rumanians and later by the Cubans. Che Guevara in his characteristically frank manner made a scathing attack on the rich industrially developed socialist countries who were indulging in the exploitation of the less developed ones in the name of "mutually beneficial trade". He appealed to them to abandon their selfish practices of international trading — practices no better than those of western capitalist exporters — and come to the aid of the poor third world countries in the name of proletarian internationalism.

In his famous speech at the Economic Seminar in Algiers in 1965 Che Guevara said:

"How can one describe as mutual benefit the sale, at world market prices, of raw materials produced with infinite suffering in the third world and the purchase at world market prices, of machines produced in the great automated factories of today? If we make this kind of comparison, then we are forced to

conclude that the [rich] socialist countries are, to some extent, accomplices in the crime of imperialist exploitation... The socialist countries have a moral duty to end their tacit complicity with the exploiting countries of the West".¹⁴

Che did not limit himself to this accusation. He declared quite openly that in the name of proletarian internationalism and solidarity "the development of countries on the path of liberation must be paid for by the established socialist states".¹⁵ This was, however, a cry in the wilderness by an idealist, though a statement in conformity with the true internationalist spirit. Even among the socialist countries themselves, complaints were raised about "taking economic advantage", "subordinating interests", "forcing of decisions" by the more advanced ones against the backward members of the socialist fraternity. The Yugoslavs denounced Soviet misuse of the mixed trading companies set up by Stalin to exploit the resources of the East European socialist countries. In June, 1964, the Rumanian press openly criticised the Russian plan, advanced through Comecon, which envisaged a single electrical grid for Rumania, Bulgaria, Hungary and the Soviet Ukraine.

It described the plan as "injurious to Rumania's independence and working against Rumania's economic self-sufficiency". The Rumanians were also critical of the so-called Danube Scheme and later refused to participate in any of the Comecon's regional development schemes. They advanced the slogan of self-sufficiency to counter Khrushchev's advocacy of "socialist integration" and "international division of labour" within the socialist camp. Similarly, the North Koreans complained of pressures applied on the Workers Party to accept a Russian sponsored plan in which the Koreans were to concentrate on agriculture, light industry and housing at the cost of building their heavy and basic industries. In 1966, Kim-il-Sung addressing a party meeting said:

"A group of Korean flunkies supported by foreign revisionists talking about international division of labour [within the socialist camp] opposed our party's line of building heavy industry and maintained among other things that our country did not need to develop the machine building industry but would do well to produce only minerals and other materials... of course could not follow their views".¹⁶

Instead Kim-il-Sung advanced the idea of *Juche* which means self-reliance in the economy, defence and ideology, the last meaning the taking of indepen-

dent positions on political-ideological issues confronting the socialist countries and the world communist movement.

By the late fifties the Russian bureaucrats had thrown all pretences towards the concept of proletarian internationalism to the winds. They resorted to breaking relations and withdrawing Soviet technicians as means of blackmail to pressurise parties and leaders expressing serious differences with them. In 1960, Moscow cut off all economic aid to the Chinese, at a moment when the Chinese economy was going through severe economic strains due to the failure of the second phase of the 'great leap forward'. It thereby arrested industrial development in China in several key fields. It refused assistance in the development of nuclear weapons previously promised to the Chinese, thereby objectively contributing towards the imperialist nuclear blackmailing of China. It went so far as to give military aid to the Indian bourgeoisie at a moment when it was likely to be used against a 'brother socialist country'. Later they openly sided with India against socialist China providing the former with more military assistance, moral aid and diplomatic support. Here one might also recall Castro's denunciation of Khrushchev's action in unilaterally withdrawing the Russian missiles from Cuba on US terms which the Cubans had rejected as they constituted an infringement of Cuban sovereignty. All this is reminiscent diplomatic, economic or political relations among states regardless of the social regimes they represent, where narrow nationalist interests dominate over all other considerations. The lowest ebb of this fast degenerating situation was reached when the Russians and the Chinese clashed militarily over the disputed border on the Ussuri river, killing several border guards of both sides, thus desecrating the classical concept of proletarian internationalism in full view of the whole world and to the joy of the imperialists. It was this disgrace that prompted Castro to say that perhaps "imperialists were more internationalist than some socialist states".

IV

Thus while the Russians reduced proletarian internationalism to a doctrine which was honoured more in the breach than in its observance, it was thought by many that the Chinese Communist Party led by Mao Tse-tung would uphold this doctrine and be its new standard-bearer. In fact, in the early period of the Sino-Soviet schism, the Chinese opened their attack on the

Russians by accusing them of the exploitation of the socialist camp" in direct contravention of the Marxist-Leninist principle of proletarian internationalism. In March 1964, *People's Daily* published a detailed report which the New Zealand communist party leader, V G Wilcox, had given in China of the negotiations he had with the Russian leaders in Moscow. According to this report, Wilcox upbraided the Russians for trying to "advance at the cost of exploitation of other countries of the socialist camp" and "growing fat and happy on the backs of socialist peoples and communist parties of other countries".¹⁷ In the same month the Chinese Communist Party had published its "Sixth Comment on the Open Letter of the Central Committee of the CPSU" which was a devastating attack on the Russian thesis of peaceful co-existence and on their "unprincipled compromises" with imperialism. The "Comment" accused the Russian revisionists of "reviling and vulgarising" the Marxist-Leninist principle of proletarian internationalism and embarking on a policy of "national chauvinism and betrayal of the international working class movement".¹⁸ According to the Chinese, the US imperialists through a policy of "accommodating the Soviet Union" sought to tie the hands of the Soviet Union and other socialist countries and forbid them to support the revolutionary struggles of the peoples of the capitalist world particularly of the peoples of Asia, Africa and Latin America.

The Chinese maintained that the heart and soul of the general line of peaceful co-existence pursued by the leaders of the CPSU was the "Soviet-US collaboration for the domination of the world", in which the Soviet Union was a junior partner. The Chinese Sixth Comment ended with a "A Few Words of Advice to the CPSU" which were:

"The United States is an imperialist country and the Soviet Union is a socialist country. How can you expect co-operation between two countries with entirely different social systems... How can you imagine that the imperialist United States will live in harmony with the socialist Soviet Union?"¹⁹

This was two years before the Chinese declared, the USSR to be a society based on "state capitalism"; a year later they described it as "social imperialism". Soon after the publication of the "Sixth Comment", *Red Flag* published an article entitled "A Wolf Is a Wolf", describing an old Chinese parable about the "Chungshan Wolf and Schoolmaster Tungkuo". The school-

master once found a wolf wounded by hunters and saved it by hiding him in his bag. Instead of showing gratitude the wolf wanted to devour the schoolmaster, but was killed by a passing peasant who understood well the nature of a wolf. The lesson of the parable as stated by Red Flag was:

"A wolf is a wolf and its man-eating nature does not change. The modern wolf is US imperialism which will always retain its predatory nature and will be killed by the people thus saving the modern schoolmaster Tungkuos".

The reference was obviously to the Soviet revisionists. The same article accused the leaders of the CPSU of "abandoning proletarian internationalism" by letting down the peoples of Indochina. The Russian-American *detente* based on appeasement of imperialism was "a standing invitation to American aggression" and if the Russians had acted over Vietnam with anything like the firmness with which President Kennedy had acted on the Cuban missiles issue, the Americans would not have dared to be so aggressive in Vietnam. It also charged the Russians with being "lukewarm" and "mean" in allocating aid to Vietnam while giving liberal grants to the bourgeoisie governments, and asked the Russians: "Can *detente* with imperialism flourish on the poisoned soil of American aggression?" The Chinese urged the Russian leaders to adopt "principled positions vis-à-vis imperialism — positions of confrontation rather than seeking *detente*, of international class struggle rather than all-round co-operation".²¹ They appealed for the unity of the socialist world on the basis of "revolutionary internationalism" — "a unity which will be the corner-stone of the broader unity of the oppressed people all over the globe". Later they spoke of imperialism as the "paper-tiger" and in 1967 Lin Piao came out with his thesis of guerilla warfare on a world scale (people's war) in which the "countryside" would surround the "cities" — the citadels of imperialism. "The cities are the capitalist strongholds of Europe and North America, while the countryside is the underdeveloped world".

The Chinese leaders thus appeared on the scene as the defenders of the pristine purity of Marxism against revisionism, defenders of international proletarianism and the idea of world revolution. Their watchwords, "countryside surrounding the cities" and "Eastwind prevailing over the Westwind", caught the imagination of people all over the world, particularly in the third world, whose hopes, having been belied

pinned on Peking. But the hopes these new Messiahs had raised by their theories and revolutionary pronouncements were once again to be frustrated by their actions and compromising practices.

In 1958, while the United States and China were "eye-ball to eye-ball" over the question of the Formosa straits, Washington was inviting Premier Khrushchev to visit the US for talks. For, as Moscow continued to develop its economic and nuclear power and its missile capacity, the United States was more and more compelled, despite Dulles' opposition, to accept the necessity of accommodation and co-existence with the Kremlin. At the same time, US policy towards China remained as implacably hostile as before, as unrecalled to Chinese rights (e.g. Formosa), as determined to impose the maximum tension and strains on China. It was also designed to deny China the much needed external respite in its fierce struggle with economic scarcity, cultural backwardness and the immense problems of industrialisation of a backward country. Indeed, as US-Soviet relations improved, the United States intensified its hostility towards China, which now began to replace Russia in US strategy and cold war rhetoric as the primary menace to American global security.

To the Chinese, the growing understanding between the US and the USSR looked like rank betrayal by Moscow, while the growing divergence in US policies towards the Russian and the Chinese regimes — accommodating one and seriously threatening the other — deprived the communist states of the basis of their previous unity and eventually provoked a split. In the underdeveloped world, the combination of US dominance and hostility and China's industrial and military weakness (especially in strategic weapons) served to maintain Peking's isolation, thereby inducing China to seek security in revolutionary agitation against imperialism and a hostile *status quo*. But even then, despite its rhetoric of irreconcilable struggle, its disposition to co-exist with those capitalist regimes that were willing to accommodate themselves to its presence (e.g. France, Pakistan) was already manifest and also its willingness, like that of the Russians previously, to subordinate revolutionary principle to *raison d'état*. When France recognised China and established diplomatic relations with Peking in January 1964, the Chinese propagandists began to speak with an undertone of admiration, almost of tenderness, about France's brave Pre-

defy American imperialism". It was suggested by Chinese propaganda organs that by proclaiming the right of every nation to have a nuclear capability, Charles de Gaulle had acted as a champion of "equality of all nations and races".²² The Chinese leaders even urged their supporters in the Afro-Asian countries to treat French nuclear tests, carried out either in the Sahara or in the Pacific with indulgence and to muffle their protests against them, reserving their full-throated indignation for American nuclear armament. Another curious twist in Chinese policy could be seen with regard to Malaysia. At first Malaysia was treated in all communist capitals (including both Peking and Moscow) as a sinister creation of British imperialism. In view of China's close relations with Indonesia this was understandable. But suddenly the Chinese leaders changed their mind and advised their adherents to soften their opposition to Malaysia. In 1965, the Chinese rashly declared their support for Colonel Boumedienne, who had overthrown Ben Bella through a military coup, while most of the Algerian left was still desperately resisting Boumedienne's onslaughts — all for securing the Algerian dictator's help in the convocation of the Afro-Asian conference in Algiers and in excluding the Russians from it. Then, during the conflict between India and Pakistan, the moral support that Peking gave to Ayub Khan outraged many of its leftist friends and supporters who wanted it to take a neutral position in this conflict between two reactionary bourgeois states.

In fact Peking's leaders were now anxious to meet their Russian counterparts on the latter's own ground — in diplomatic manoeuvring for peaceful co-existence. Most important was the case of Indonesia where Soviet and Chinese policies converged tragically. It was the Chinese who had encouraged the Communist Party of Indonesia led by Aidit to subordinate its class orientation to a bourgeois nationalist regime which pursued a "progressive" foreign policy in accord with China's own narrowly conceived national interests. For years the Indonesian Communists, supported by the Chinese, cultivated the so-called Front of National Unity under Sukarno, hailing him as Indonesia's "national and revolutionary hero". Even at the height of 1965 army coup, triggered by the reactionary officers, in which an estimated one million communist leaders, sympathisers and members of mass organisations were massacred, the Indonesian CP did not

tion. "This triumph of the Right and the sudden destruction of the largest communist party in the non-communist world" writes David Horowitz, "only served to illustrate once more the fatal shortsightedness of the communist states — even from a purely national point of view — in basing their policies on the *status quo* in an era of permanent revolutionary instability and change".²³

But the policy that the Chinese leaders adopted towards Ayub's government after he got himself elected as the President of Pakistan in 1966 and later in 1971 towards the dictatorial and murderous regime of General Yahya Khan beats even the Kremlin leaders in their game of serving narrow national interests at the cost of revolutionary and leftist movements of other countries. Since there is no Chinese equivalent of the Comintern, it is not possible to speak about 'wrong advice', 'let down', 'betrayal' in the official sense. But any discerning student of Sino-Pak relations would be compelled to reach the conclusion that the policy of the Chinese government has been one of class collaboration on an international scale in the true Khrushchevian sense. This policy resulted in utter confusion in the leftist ranks in Pakistan, leading ultimately to their open and shameful collaboration with the dictatorship of Ayub Khan. This process got accentuated after Maulana Bhashani visited Peking in 1963 as the leader of a government delegation to the October Day celebrations. In his well-documented and analytical work, "Pakistan: Military Rule or People's Power", Tariq Ali quotes from a tape-recorded interview he conducted with the Maulana in East Pakistan in June 1969:

"... I asked the Maulana during the course of a tape-recorded conversation: When you went to China what did Mao discuss with you when you met him? The Maulana's reply was quite unequivocal... 'Mao said to me that at the present time China's relationship with Pakistan was extremely fragile and that the United States, Russia and India would do their utmost to break this relationship. He [Mao] said, 'you are our friends and if at the present moment you continue your struggle against the Ayub government it will only strengthen the hands of America, Russia and India. It is against our principles to interfere with your work, but we would advise you to proceed slowly and carefully. Give us a chance to deepen our friendship with your government...'".²⁴

"It was no coincidence that after the Maulana's return from Peking a section of the NAP adopted an ambivalent attitude towards the Ayub government and turned down its opposition",²⁵ con-

cludes Tariq Ali.

Nobody in his right mind can object to Chinese endeavours to build up relations with Pakistan with a view to breaking the imperialist encirclement, but to do so at cost of the weak socialist movement in that country is to follow in the footsteps of the "Soviet revisionists" and to infringe the principle of proletarian internationalism in a most blatant and cynical manner. But the worst was yet to come in 1970-71, when the Chinese leaders gave unconditional and blanket approval to the Yahya Khan regime in its attempt to crush the resistance of the Bengali people. In a fulsome personal letter²⁶ to the Pakistani dictator, dated April 13, 1971, Chou En-lai openly accepted and defended the right of the Pakistani army to trample on the aspirations of an oppressed people. He also accepted the charge that the whole upheaval was the work of a handful of separatist leaders of the Awami League conspiring in concert with the Government of India. The Chinese government thus deliberately aligned itself with a murderously reactionary capitalist state against a popular upsurge which included many supporters of the Chinese revolution. Moreover, China did not limit itself to merely vocal support for the Pakistani dictatorship. Its military and economic assistance was crucial to Yahya's regime. The tanks used to raze workers' districts in Dacca were Chinese made. When Islamabad confronted a grim economic crisis because of the war, Peking stepped into the breach with a generous loan of \$100 million, delivered to Yahya without any interest.²⁷ There could be no doubt that this moral and material support given by the Chinese to the Pakistani rulers benefited the cause of counter-revolution in Pakistan and in Asia. The same story was repeated in Ceylon in April 1971 when Ceylonese youth led by their organisation, the Janata Vimukti Peramuna (JVP), challenged a repressive and corrupt government — a combination of right and pseudo-left parties. The Chinese leaders once again rushed economic and military assistance to a government which had murdered in cold blood thousand of Ceylonese youth during its punitive measures against the insurgents. And this time the Chinese were in the company of US and British imperialists, Russian revisionists and Indian and Pakistani reactionaries. Once again the exigencies of diplomacy and national interest prevailed over the spirit of revolutionary solidarity. Commenting on this dubious role of the Maoist leadership, a generally sympathetic jour-

nal of Calcutta commented thus:

"A section of the Ceylon Maoists are now with the Che Guevarists impervious to what Peking has to say about the movement (they called it CIA inspired). The closest parallel in the immediate situation one can think of is in East Bengal where Maoists led by Toaha are in the struggle despite Peking's dubious stance. Maoism sans classic loyalty to the CP of China might be a new Asian development...".²⁸

'Leninism sans loyalty to the CPSU' and 'Maoism sans loyalty to the CPC' is the lesson communists not only in Asia but all over the third world are drawing from the cynically nationalistic postures of both the Russian and the Chinese leaders. This attitude was reinforced by the recent spectacle of Nixon's welcome in Peking and Moscow when his air force was systematically and mercilessly pounding Vietnamese cities and towns, killing and wounding thousands, and when his navy had just blockaded Vietnamese supply ports by mining its waters.²⁹ This was nationalism run amok and a blow at the classical concept of proletarian internationalism, if it still had life left in it to receive one.

It was this ideological and political sell-out that compelled the Vietnamese in their anguish to remind the "parties of Lenin and Mao" of their "crime by default" in the Vietnamese struggle for liberation and their duty towards the principle of international proletarianism. A recent article in *Nhan Dan*, the organ of the Workers' Party of Vietnam, warned the erring Chinese and the Russian leaders:

"For a country to care for its immediate and narrow interests while shirking its lofty internationalist duty, not only is detrimental to revolutionary movement of the world but will also bring unfathomable harm to itself in the end. The vitality of Marxism-Leninism manifests itself in revolutionary deeds, not in empty words".³⁰

Commenting upon the perfidious nature of the *detente* developing between US imperialism and the Chinese and Russian leaders, *Nhan Dan* stated:

"The imperialist pursue a policy of *detente* with some big countries in order to have a free hand to consolidate their forces, oppose the revolutionary movements in the world, repress the revolution in their own countries and stamp out national liberation movements while never giving up their preparation for a new world war".

The Vietnamese were thus clearly accusing the communist chieftains in Peking and Moscow of becoming accomplices in imperialist efforts to stamp out national liberation movements (includ-

ing the Vietnamese one) through their policies of what *Nhan Dan* called "unprincipled *detente*".

Distinguishing between a "genuine *detente*" and betrayal of world revolution, the article commented thus:

"Genuine *detente* between the nations rests on respect for independence, sovereignty, unity and territorial integrity of all countries, big and small. But for US imperialism *detente* is but a perfidious policy aimed at carving out schemes of aggression, enslavement, subversion, and peaceful regression... To achieve *detente* in certain concrete conditions in order to push forward the offensive of the revolutionary forces is correct. But if in order to serve one's own narrow national interests, one is to help the most reactionary forces stave off dangerous blows, one indeed is throwing a lifebuoy to a drowning pirate; this is harmful compromise advantageous to the enemy and disadvantageous to the revolution."

Throwing a life-buoy to the drowning pirate Nixon, is exactly what the Russians and the Chinese have been doing during the past few months, in order to serve their "own narrow national interests". This open accusation of betrayal levelled by the heroic Vietnamese Workers' Party against the rulers in the Soviet Union and China will be an eye-opener to millions of militants fighting against imperialism, all over the world, particularly in the Third World countries. Further, teaching them a lesson in international proletarianism the article stated:

"The triumph of revolution in one country does not mean the end but the beginning of the thousand league road leading to world communism... The revolution is a path strewn with fragrant flowers, opportunism is a fatal quagmire. We communists must persevere in revolution and not compromise with our adversaries."

The above passage clearly tells the self-styled leaders of the international communist movement that the revolution in Russia, China and a few other countries is not the end, but a beginning for the impending world revolution. It asks them to rise from the "quagmire" of opportunism in which they are wallowing at the moment by compromising with the adversaries of the world liberation movement.

This charge of perfidy levelled by the Vietnamese Workers' Party, made in no uncertain terms, against the leadership of the two greatest socialist states will go a long way in opening the eyes of those who, having fallen victim to political 'flunkeyism', had blindly supported the policies pursued by them in their own selfish interests and to the detriment of the revolutionary cause. It

will also go a long way in refuting the theory which equated proletarian internationalism with the interest of either of these socialist nation states.

In this above analysis one point stands out with sterling quality. It is that there exists a fundamental contradiction between the concept of proletarian internationalism and building socialism in separate countries as nation states. Marx and Engels, and later Lenin and his early Bolshevik colleagues, understood the significance of this concept in the background of the 'permanent revolution' overtaking the world. For them socialist revolution was 'national' only in form but in content it was international. They placed the interests of socialism in the whole world above the interests of the newly born Soviet state. But this classical doctrine was put on ice when Stalin, after liquidating the entire Bolshevik old guard, decided to build socialism in Soviet Russia irrespective of what happened to the revolutionary movements elsewhere, and invoked international proletarianism in his rhetoric only to be used as an instrument for rallying the international communist movement in defence of Russian national interests — military, strategic, political. This was the negation of the principle of international proletarianism telescoped by Marx and Engels into a single phrase "workers of the world unite" to which Stalin and his successors had added the words "in the interest of the Soviet state". History repeated itself when Chinese Communism rose in Asia on the crest of a successful civil war led by the communist party and won the admiration and support of the people especially in the Third World. The same happened when the Cuban revolution made its revolutionary impact in Latin America. Threatened by US imperialism and blockaded in their island fortress, the Cuban leaders too emphasised international solidarity and the idea of continental revolution. They became the most outspoken champions of the "continuing revolution" in Latin America and openly declared that it was not only their 'duty' but also their 'traditional right' to give moral and material support to the armed guerilla contingents on the continent which were fighting for liberation and socialism, much like the great "Libertadores" such as Bolivar and Higgins who liberated not only their own countries but also other countries from the Spanish yoke. "Internationalism is in the very veins of Latin American history" declared the Cuban leaders. The Conference of Latin American Solidarity (OLAS) which de-

cided upon a continental armed revolutionary programme for Latin America was conducted in Havana Libre Hotel's Ambassador Hall with a backdrop of a huge portrait of Bolivar. Later they conducted, in Havana again, the Tri-continental Conference to emphasise the idea of the 'unity in struggle' of the peoples of Asia, Africa and Latin America. They not only helped the armed guerilla 'focos' with men and money in Venezuela, Columbia, Peru and Argentina, but also created such focos themselves with Cuban personnel and resources, such as in Bolivia. Internationally the Cubans considered imperialism to be a "world system [which] must be defeated in a world confrontation". The aim, thinking retrospectively, of this display of solidarity and emphasis on internationalism was to break the Cuban isolation which imperialism had imposed on it. Their full-throated solidarity for Vietnam too was given with the understanding that the Vietnam war, by keeping US hands tied in Asia, was diverting its attention from the blockaded island, giving it breathing space — hence the slogan "create two, three... more Vietnams". The Cuban leaders also launched a vigorous public attack on the Soviet leaders' policy of peaceful co-existence and *detente* with US imperialism and repeatedly accused the Soviets and the Chinese of dereliction of duty towards Vietnam by not uniting to confront imperialism in order to save a brother socialist country.

But once Cuban security was assured with an understanding between the Russians and the Americans (on the condition that the latter will not invade the island and Cubans will not promote 'trouble' in other Latin American countries), the Castro leadership made a surprising *volte face* . They fell in line with the Russians, suddenly acquiring confidence in the Soviet leadership and taste for their 'revisionist' policies — policies which they had condemned so vehemently only a short time ago. Castro too paid lip service to the principle of proletarian internationalism in his subsequent speeches but became more and more silent on the fate of the armed guerilla forces which languished without Cuban aid. The great rebel, Castro, ended up by getting official recognition from the Russian bosses in the form of the Order of Lenin which they conferred on him in a Kremlin ceremony last year. Along with him was decorated Tito, whom the Cuban leader had described (in 1965) as an agent of imperialism.

This cynical betrayal of international

Proletarianism by the leading socialist states and communist parties will, however, in the long run cost them dear. Imperialism has been, and will in future too, exploit the sharp differences and contradictions between socialist states resulting from their intensely nationalistic postures. They must heed the warning of the Vietnamese communists contained in the above quoted *Nhan Dan* editorial:

"For a country to care for its own immediate and narrow interests while shirking its lofty internationalist duty, not only is detrimental to revolutionary movements of the world, but will also bring unfathomable harm to itself in the end..."

Notes

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- 31 For a detailed analysis of Nixon's visit to Peking and Moscow, see my article "Vietnam and the Socialist World", *Economic and Political Weekly*, Vol VII, No 30, July 22, 1972.
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A Test of Hypothesis of Rational Allocation under Cobb-Douglas Technology

Amal Krishna Dey
Ashok Rudra

IN the following are presented the results of some statistical tests conducted to test the hypothesis that Indian farmers are rational resource allocators. The theoretical basis of the tests has been presented in an earlier article ("Allocative Efficiency of Indian Farmers", January 20, pp 107-112). We consider two aggregative input items, namely, all material inputs (in current prices), M_r , and human labour (in man hours), L_r , the suffix standing for the farm. From formula (15) of the article referred to, it follows that if the farmers are subjected to a common Cobb-Douglas production function and a common wage rate, then, whether the material input prices are same for all farmers or not,

$$M_r = \theta_1 Y_r \quad (1)$$

also if there is a common wage rate applicable to all farmers:

$$L_r = \theta_2 Y_r \quad (2)$$

where Y_r stands for output of r th farm and θ_1 and θ_2 are two constants.

Hence one can write

$$M_r = \theta L_r \quad (3)$$

where θ is a constant.

This indicates that if the farmers are indeed all operating under a common Cobb-Douglas technology and indeed if they are optimally allocating material and labour resources, then observed material input and labour input figures may be expected to fall along a straight line passing through the origin. Based on this theoretical result we have designed a test which has the following specifications:

Assumption

$$E(Y_r) = B_r (L_r)^\beta (M_r)^{\alpha_1} (M_r)^{\alpha_2} \dots (M_r)^{\alpha_l} \quad (4)$$

where, Y_r is output of the r th farm

M_r^s is s th material input in quantity ($s=1, 2, \dots, l$)

L_r is labour input in man hours and B_r is a term not involving material or labour inputs.

Profit maximisation subject to different budget constraints for different farmers gives for the r th farmer:

$$M_r = \sum_{s=1}^l M_r^s p_r^s = \sum_{s=1}^l \frac{\alpha E(Y_r)}{\lambda_r} \quad (5)$$

$$= \frac{E(Y_r)}{\lambda_r} \sum_{s=1}^l \alpha_s \quad (5)$$

$$L_r = \frac{E(Y_r) \beta}{\lambda_r W} \quad (6)$$

where λ_r is the Lagrangian multiplier for the r th farmer, so that

$$L_r = \theta M_r \quad (7)$$

where θ is a constant.

Null Hypothesis

$$\frac{L_r}{A_r} + \eta_r = \theta \frac{M_r}{A_r} + (-r) \quad (8)$$

$$= \bar{L}_r + \eta_r = \theta \bar{M}_r + (-r)$$

where η_r and $(-r)$ are error terms assumed to be independent and normal with constant standard deviations and A_r is the farm-size. Reduction of the variables L_r and M_r to per size-unit terms, $\bar{L}_r$ and $\bar{M}_r$ is done to make more realistic the assumption of constant standard deviations for the two error terms.

Alternative Hypothesis

(a) No well defined relation between

$$\frac{M_r}{A_r} \text{ and } \frac{L_r}{A_r}, \text{ or}$$

(b) linear relationship with non-zero intercept:

$$\bar{L}_r = \theta_1 + \theta_2 \bar{M}_r + \delta_r \quad (9)$$

or, (c) some non-linear relationship, e.g.

$$\bar{L}_r = \theta_1 + \theta_2 \bar{M}_r$$

$$+ \theta_3 (\bar{M}_r)^2 + \delta_r \quad (10)$$

where δ_r is an error term with the usual assumed properties. Tests for null hypothesis against the specific alternatives were carried out with the help of data collected from 142 farms belonging to 15 villages of Hooghly district of West Bengal for agricultural

year 1970-71. The observations are presented graphically in the Diagram. Table 1 presents the results of the following four fits:

$$H_0: \bar{L}_r = \theta_2 \bar{M}_r$$

$$H_1: \bar{L}_r = \theta_1 + \theta_2 \bar{M}_r$$

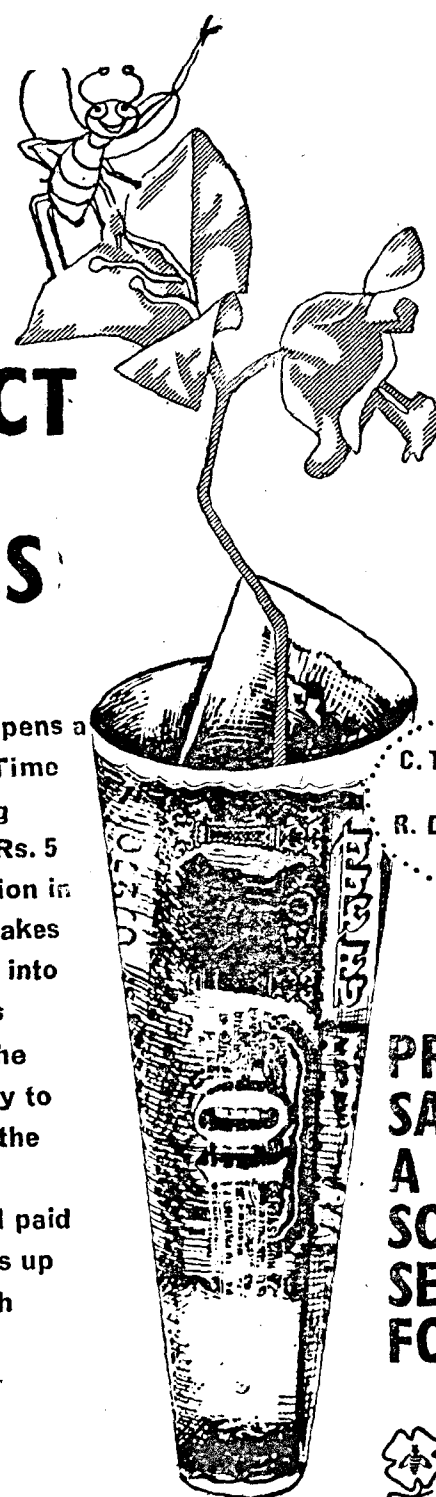
$$H_2: \bar{L}_r = \theta_2 \bar{M}_r + \theta_3 (\bar{M}_r)^2$$

$$H_3: \bar{L}_r = \theta_1 + \theta_2 \bar{M}_r + \theta_3 (\bar{M}_r)^2$$

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DIAGRAM: QUADRATIC FITS TO SCATTER OF LABOUR INPUT PER ACRE AND MATERIAL INPUT PER ACRE

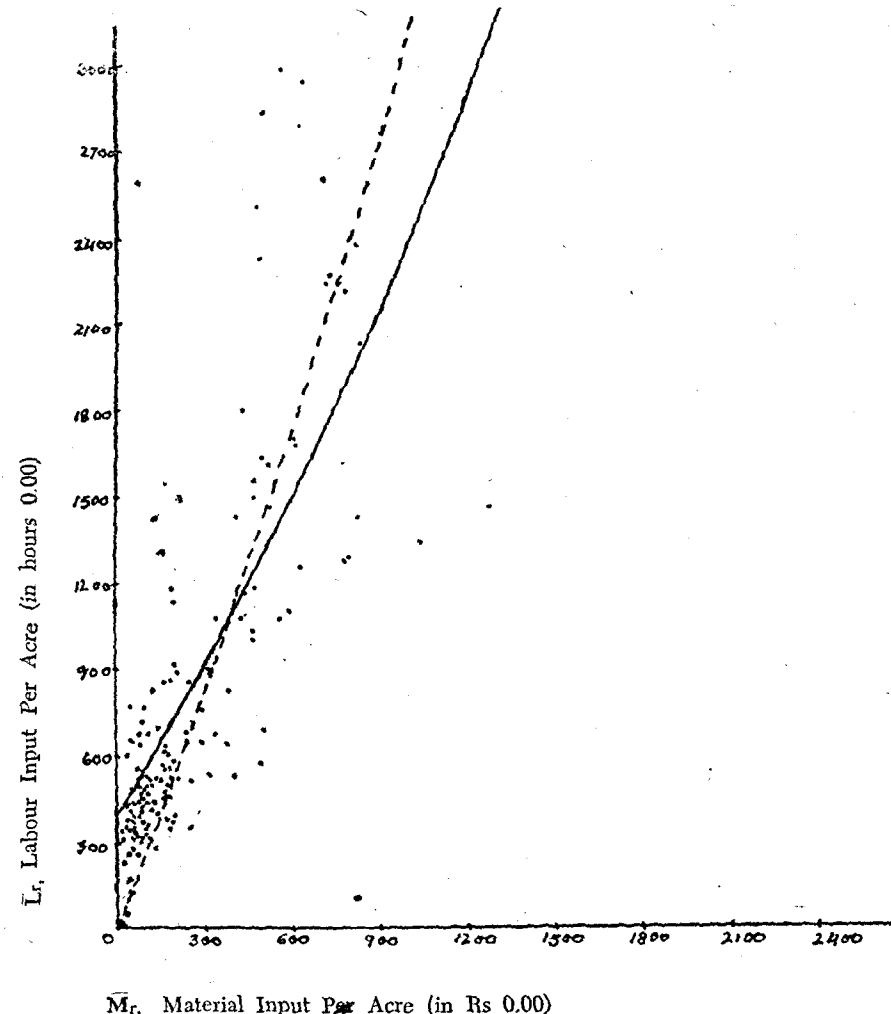


TABLE 1: RESULTS FOR REGRESSION CO-EFFICIENTS WITH THEIR STANDARD ERRORS AND R²

Form of the Fits	θ_1	θ_2	θ_3	R ²
$\bar{L}_r = \theta_2 \bar{M}_r$	0	3.34 (0.0412)	—	0.4540
$\bar{L}_r = \theta_1 + \theta_2 \bar{M}_r$	357.92 (57.25)	1.95 (0.1582)	—	0.5320
$\bar{L}_r = \theta_2 \bar{M}_r + \theta_3 (\bar{M}_r)^2$	0	2.65 (0.2040)	0.00041 (0.00027)	0.5805
$\bar{L}_r = \theta_1 + \theta_2 \bar{M}_r + \theta_3 (\bar{M}_r)^2$	400.54 (142.24)	1.58 (0.2062)	0.00039 (0.00017)	0.7034

Standard errors are in the parentheses.

TABLE 2: RESULTS OF ANALYSIS OF VARIANCE FOR $H_1: \bar{L}_r = \theta_1 + \theta_2 \bar{M}_r$

Source	Sum of Squares (S S)	Degrees of Freedom (d f)	Mean (S S)	Observed F	F at 1 Per Cent
Linear Regression	3530.20	1	3530.20	149.69	6.85
Deviation from Regression	3302.10	140	23.59		
Total	6832.30	141			

See Computational Formulae in the Appendix Note.

two Analysis of Variance exercises carried out to test whether hypothesis H_1 explains the data significantly better than hypothesis H_0 and whether H_3 makes for any further improvements. The Analysis of Variance are of course equivalent to the t-tests that may be carried out for the nullity of θ_1 in H_1 and θ_3 in H_3 with the help of the standard errors that are presented in Table 1.

Answers to both the questions are in the affirmative. Thus, the estimate of θ_1 of the H_1 fit is significant at the 1 per cent point and similarly the estimate of θ_3 of the H_3 fit is significant at the 1 per cent point. It may further be noted that in each case R^2 is pretty low.

Hence the following conclusions can be drawn:

(a) The association between L_r and M_r is not very strong. The model under test, namely, Cobb-Douglas technology plus profit maximisation, can explain no more than 45 per cent of the observed variation in per acre labour inputs, given the per acre material inputs. Even the addition of two more parameters does not take the explained part of the variation beyond 70 per cent.

(b) Whatever association there is cannot be best represented by a straight line passing through the origin. As a matter of fact, the scatter can be better fitted by a straight line with a positive intercept on the L axis and gives an even better fit to a quadratic with a positive intercept term. Hence, if the observations are assumed to satisfy (but for error) the Cobb-Douglas functional form, then the hypothesis of profit maximisation stands rejected.

The Variables

The variables used in carrying out the tests are results of measurements carried out on the basis of the following definitions:

M_r the value of all material inputs of the r th farm. The input items included are seeds, manures, fertilisers, oilcakes, and pesticides. The home produced items are imputed by the ruling village prices. For fertilisers, oilcakes and pesticides no imputations are involved. The cost of irrigation water had to be excluded as no suitable method could be found for imputing the value of irrigation water, especially that applied by the farmer himself by various country methods, e.g. with the help of "donga".

L_r the manhours of total human labour used on the r th farm, obtained by adding together

TABLE 3: RESULTS OF ANALYSIS OF VARIANCE FOR $H_3: L_r = \theta_1 + \theta_2 M_r + \theta_3 (M_r)^2$

Source	Sum of Squares (S S)	Degrees of Freedom (d f)	(S S) Mean	Observed F	F at 1 Per Cent
Linear Regression	3530.20	1	3530.20	242.29	6.85
Addition due to Quadratic term	1276.00	1	1276.00	87.57	6.85
Residual	2026.10	139	14.57		
Total	6832.30	141			

See Computational Formulae in the Appendix Note.

family labour and hired labour of all categories (i.e. farm servants' labour, casual labour and contract labour), and labour received gratis or by the way of exchange. Only the following farm operations are considered: preparatory tillage, sowing, interculture and harvesting. This means that all other activities connected with agriculture, namely, post-harvest processing of crops (e.g. pounding, dehushing, etc), transportation, purchases, marketing, etc, are excluded along with all activities, economic and otherwise, not connected with agriculture.

Results

The nature of the association between per acre labour input and per acre material input may first be visually examined on the scatter Diagram showing L_r against M_r in the arithmetic scale. The scatter does not seem to lie closely along any straight line passing through the origin. As a matter of fact, the scatter does not lie closely along any smooth curve whatsoever.

If an unconstrained straight line is fitted, the estimate of θ_1 turns out to be 357.92, the 't' value (6.251) of which is significant at the 1 per cent level. This differs significantly from zero, which means that our data do not give acceptable fit to a straight line with zero intercept. Hence with this test alone we can reject the hypothesis of profit maximisation under Cobb-Douglas technology.

The further experiments with fittings were carried out with a view to explore what functional form might best explain the data. The co-efficients and their standard errors presented in Table 1 were computed by the Doolittle method. It may be noted that the co-efficient takes a small but significant positive value, i.e. 0.00039, which implies that the use of labour input increases at a faster rate than that of material inputs. Then dropping θ_1 from the quadratic form the values of θ_2 and θ_3 were recalculated. θ_3 again took a small positive value of 0.00041, but R^2 diminished substantially.

The last result highlights the fact that a considerable proportion of farms

produce with practically no material inputs, depending only on labour input. Of course material input cannot be zero, for there has to be seed if not anything else, and as such a positive intercept is economically meaningless. However a polynomial upto second degree made to pass through the origin would pass below rather than through most of the points with low values of M . It would be pointless to try higher degree polynomials given that the data anyway are not such as would give very good fit to any smooth curve and a

polynomial of a high degree with characteristic twists and turns would not be amenable to any economic interpretations.

Conclusions

The results presented here concern the relative proportions in which labour and material inputs are used in farm operations as a whole. As was indicated in Ashok Rudra's earlier paper, several other tests are possible. Thus it is possible to compare the ratio between any one of the input items and output for different crops sown by the same cultivator. Some such tests are being carried out presently and it is hoped to present the results subsequently.

[Thanks are due to Bela Bandopadhyaya for her contribution to the processing of raw returns into variable values.]

Appendix Note

The well known formulae for Analysis of Variance are as follows:

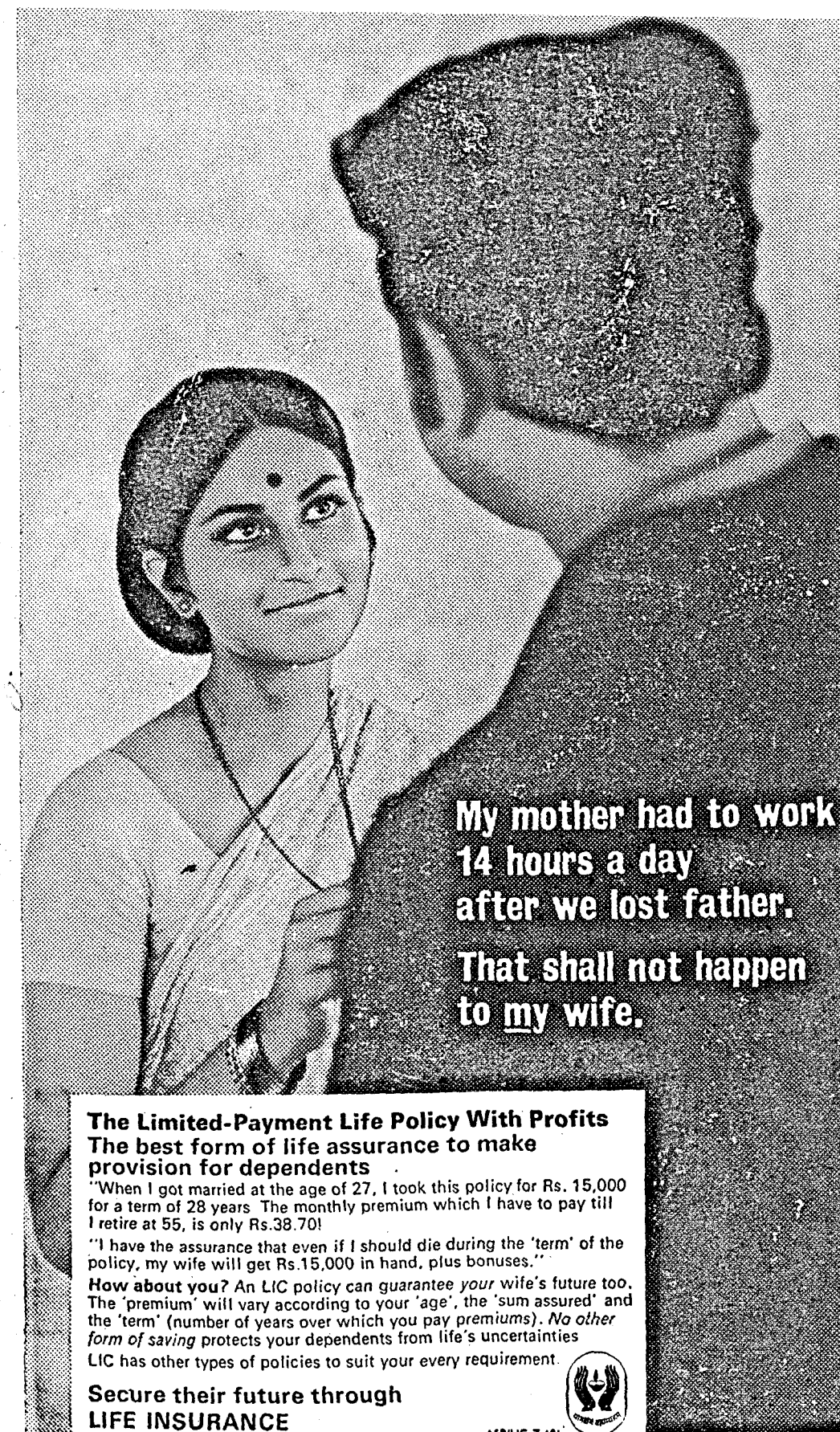
TABLE FOR ANALYSIS OF VARIANCE FOR $H_1: y_i = a + bx_i$

Source	SS	d f	MS	F
(1) Linear Regression	$b^2 \sum_{i=1}^{142} (x_i - \bar{x}_i)^2$	1		
(2) Deviation from Regression	$\sum_{i=1}^{142} (y_i - \bar{y}_i)^2 - b^2 \sum_{i=1}^{142} (x_i - \bar{x}_i)^2$	n-2		
Total	$\sum_{i=1}^{142} (y_i - \bar{y}_i)^2$	n-1		

TABLE FOR ANALYSIS OF VARIANCE FOR $H_3: y_i = a + bx_i + cx_i^2$

Source	SS	df	MS	F
(1) Linear Regression	$b^2 \sum_{i=1}^{142} (x_i - \bar{x}_i)^2$	1	SS(1)	
(2) Addition due to Quadratic term	$\sum_{i=1}^{142} (y_i - \bar{y}_i)^2 - \sum_{i=1}^{142} (y_i - a - bx_i - cx_i^2) y_i - b^2 \sum_{i=1}^{142} (x_i - \bar{x}_i)^2$	1	SS(2)	
(3) Residual	$\sum_{i=1}^{142} (y_i - a - bx_i - cx_i^2) y_i$	n-p		
Total	$\sum_{i=1}^{142} (y_i - \bar{y}_i)^2$	n-1		

where p is number of parameter.



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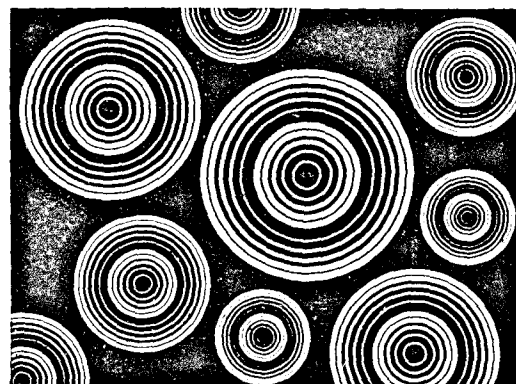
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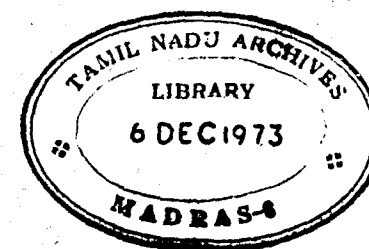
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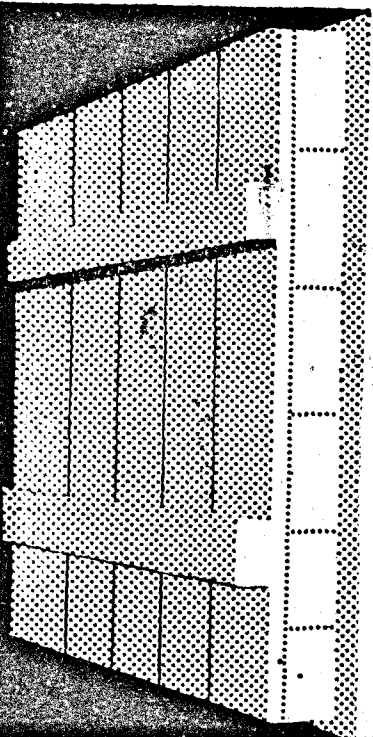
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ECONOMIC AND POLITICAL WEEKLY

Founder-Editor: Sachin Chaudhuri

Vol VIII No 13 March 31, 1973

Handle to Populism—Heat without
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ECONOMIC AND POLITICAL WEEKLY

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Grams Econweekly

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IT was a tragic incident, though by no means a unique one. According to newspaper reports, on March 20 in Chhatnandra in Aurangabad district of Maharashtra, Gopinath Wadar, an Adivasi, was burnt alive by some people of the village, including allegedly the upa-sarpanch of the village panchayat. Wadar's crime had been to threaten that if fair-price shops indulged in black-marketing they would be looted. Earlier the village fair-price shop, owned by the upa-sarpanch, had refused to supply the government-fixed quota of jowar to Wadar. Not that jowar was not available at all; it was, but at a multiple of the official price.

An excess of outrage at the incident or of compassion for the hapless Wadar was, of course, not to be expected from the government of Maharashtra. Yet few would have been prepared for the tone of the statement of the Minister of State for Home, S G Pawar, in the state Assembly on Wednesday. The Minister's primary concern appeared to be to discredit Gopinath Wadar, almost to the point of suggesting that he deserved what he got. Thus, according to press reports of the Minister's speech, Wadar had been drunk on the day of his murder; he had gone about extorting 'holi bakshish' from fellow-villagers; he had threatened to burn down the entire village (not just the defaulting fair-price shop); why, he had even misbehaved with some women before finally wending his way home in the evening. This was the Minister's theme; he also thought it necessary to suggest that possibly Wadar had not been burnt alive, by speculating — on the basis of nothing precisely — that he was perhaps already dead when his body was thrown into his burning hut.

Atrocities against Harijans and Adivasis are almost a daily occurrence in some part of the country or the other. The Annual Report of the Union Home Ministry for 1972-73 virtually acknowledges as much. If the murder of Wadar had belonged to this genre of incidents, Maharashtra's Minister of State for Home might have to take it in his stride with the customary assurances about bringing the culprits to book. What seems to have provoked the Minister to the superlative display of callousness in the Assembly is that at the bottom of the tragedy lay the failure of the government's food distribution system which makes it possible for political notables, like our upa-sarpanch, to sell in the black market grain meant for distribution through the so-called fair-price shops.

It is, however, a little too late in the day for Minister Pawar to be overly sensitive on this score. Report after report on conditions in the drought-affected areas of the state have shown that notwithstanding the fair-price shops which exist on paper and the foodgrain quotas which are nominally fixed by the government, much of the foodgrains that the people actually eat comes to them through the black market, at prices comparable to the Rs 1.70 a kg of jowar (twice the official issue price of wheat) which was what had been demanded of Gopinath Wadar. Just the day before the Minister of State for Home made his statement in the Assembly, the tehsil office in Malegaon in Nasik district had been besieged by a large crowd of local people protesting against the failure of fair-price shops to supply the stipulated quantities of foodgrains. Collectors of many districts have frankly confessed that they dare not interfere with the black market in foodgrains since more often than not it was the major source of foodgrain supply. In other words, the trade in foodgrains has become the conduit for channelling into the pockets of the local political bigwigs all over the country the hundreds of crores of rupees shown as having been paid out by government as wages to the drought-affected.

A system so well entrenched is obviously not to be trifled with. May be it was foolhardiness on Gopinath Wadar's part; may be it was courage born of innocence; may be he was drunk; but most likely, it was sheer despair. But whatever it was, the opposition parties' responsibility for driving him to his fiery grave is not inconsiderable. The only thing which can give the Gopinath Wadars any chance at all against the system is political organisation. This the opposition parties, who are ever-ready with their crocodile tears and their adjournment motions in Parliament and in state assemblies, have conspicuously failed to provide — in Maharashtra as in most other parts of the country. Indeed, if Wednesday's discussion in the Maharashtra Assembly on Gopinath Wadar's murder exposed the callousness of the government, it underscored even more emphatically the hypocrisy and the irrelevance of the opposition parties.

Manipur

Handle to Populism

WITH the dissolution of its 60-member Legislative Assembly, Manipur once again comes under Central Government rule. It was only in January, last year, that Manipur — along with Tripura and Meghalaya — became a full-fledged state, assuaging, to some extent, deep local resentment against rule from New Delhi. This resentment has led to sporadic demands for full independence for Manipur and occasional talk of a 'greater Manipur' which would include adjoining areas of Assam and Burma. There is a miniscule underground movement for independence and overground, the Pan-Manipur Youth League has demanded independence. So far these groups have not received strong support from any quarter.

The Manipuris themselves have for long been divided between the tribal hill peoples and those who live in the central valley where the capital, Imphal, is situated. The biggest segment among the hill peoples, many of whom are Christians, consists of Tangkhul Nagas, with the Kukis making up the second largest segment. In the election, last March, the Naga Integration Council — which wants certain tracts of northern Manipur to be integrated with Nagaland — won three seats. But this demand is opposed by the Kukis and other hill tribes as well as the predominant people of the valley and of Manipur, the Meiteis, who number about 600,000 out of a total population of 1,072,000 and almost all of whom are Hindus. The Meiteis, isolated in their valley for hundreds of years, have firm local roots and a strong insular tradition.

This traditional insularity has been reinforced by the fact that a substantial part of the business and commerce of Manipur are concentrated in the hands of Punjabis, and Marwaris from Assam and Bengal, who are all disparagingly referred to as Mayangs. The former have come in during the past 20 years while the latter are somewhat earlier migrants. As is happening in so many other states, the economic backwardness of the locals (tribals as well as Meiteis) has been turned to political-electoral advantage by a populist, regionalist party, the Manipur People's Party, whose slogan in the last election was "Manipur for the Manipuris". It won 15 seats and formed around itself a loose coalition called the United Legislature Party.

The coalition broke up recently due

to the defection of several MLAs to the Congress-led opposition. This has led to the imposition of President's Rule as no stable legislative majority was in sight. The Governor, B K Nehru, had recommended suspension of the Legislative Assembly, but he has been overruled by the Central Cabinet and the Assembly has been dissolved. If President's Rule continues too long, the small groups who have been demanding independence will be given an additional handle to further their demand. Meanwhile, given the climate of suspicion of New Delhi and the manoeuvrings of the local Congress which led to the re-imposition of President's Rule after a break of only a year, the Manipur People's Party is likely to gain many additional seats in the next election.

Monetary Reform

Heat without Light

THE communique issued at the end of the second meeting of the IMF's Committee of 20 on international monetary reform has nothing more to offer than a set of platitudes urging the need for a major currency reform. The Committee had its first meeting in September 1972 to discuss the IMF Executive Directors' report on monetary reforms. The Deputies of the Committee of 20, a body appointed to expedite the work of the Committee, started their work in November 1972 and held two meetings before the devaluation of the dollar in February. At the end of their first meeting in November 1972, Jeremy Morse, their Chairman, had told the Press that the Deputies "have only just begun the debate". It is now clear that they got no farther.

Considering the context in which the deliberations of the Committee of 20 were held, it is surprising that no serious attempt was made even to indicate broad measures for dealing with the highly de-stabilising flows of speculative capital that led to the collapse of the second major realignment of currencies. Most of the world's important currencies are floating and nobody is clear as to how long the floating regime would continue. The communique of the Committee of 20 says that floating exchange rates of the European currencies and Japan "could provide a useful technique in particular situations" — as if the experience of the floating of a larger number of currencies in August-December 1971, of the floating of the Canadian dollar for a number of years and of the floating of the pound sterling since June 1972 have not been

educative enough. It is ironical that in the same breath the communique calls for fixed but adjustable exchange rates under a new world monetary system. The Committee of 20 should have tried to resolve at its level the political issues involved in the speculative capital flows and come out with at least some tentative guidelines for minimising the de-stabilising impact of these flows on world exchange rates.

Instead, after going over all the ramifications of the problems of monetary reform, the Committee has come out with statements almost identical to those made by it nearly six months ago at its first meeting. As regards the exchange rate adjustment mechanism, the need for objective indicators like movements of reserves and changes in prices levels is recognised, but the debate still continues over whether these signals should bring forth mandatory exchange rate changes or whether they should be used only for initiating consultations between a member country and the IMF for necessary action. After all the voluminous material released by the Fund on this problem, one more technical group is going to be asked to go over the question of how the objective indicators can be used to improve the adjustment process.

The problem of reserve currencies, the role of gold, etc, have been revived again and the Deputies have been asked to study further the conditions for the general resumption of convertibility, including questions relating to the consolidation of excess reserve balances and methods of settlement. By now it is sufficiently clear that the issues relating to reserve assets and convertibility cannot be settled unless a decision is taken at the political level on the future role of reserve currencies and gold and on whether the SDR is going to be the sole reserve asset. As regards the SDR-aid link, it is clear that the proposal is as good as dead. The US has indicated that it has serious reservations about the whole proposal and a number of developing as well as developed countries, towing American line, are totally opposed to it. However much India may champion the cause of the links, its efforts will be fruitless, since the US, with its 22 per cent voting rights, could alone kill the proposal.

The issues involved in international monetary reform need to be faced at the political level before any progress can be achieved. At the technical level, various solutions have been worked out by numerous experts and the report of the executive directors of the Fund, released nearly six months ago, bring

together the choices available in respect of almost all the important issues involved in the reform. If the leading industrial countries are prepared to face the problem squarely and resolve their most acute differences themselves, the discussion on monetary reform would proceed rapidly and the Committee of 20 might be able to stick to its target of presenting the basic framework of the reformed system by the September 1973 annual meeting of the IMF. However, in the absence of serious intentions and efforts in that direction, the discussions of the Deputies will drag on endlessly and generate much heat and little light.

Employment

Crash Scheme for Doles

THE Minister of State for Agriculture claimed in Parliament on Monday that the employment target under the crash scheme for rural employment would be exceeded in 1972-73. The entire outlay of Rs 48.40 crores provided for the scheme would be spent during the year and the employment generated would surpass the target of 87.50 mn mandays. According to the latest information available with the Minister, during the year so far 86.29 mn mandays of employment had been created with an expenditure of Rs 32.52 crores. 1972-73 is the second year of the crash scheme. In 1971-72 Rs 32.71 crores were spent on the scheme and it has been claimed by the government that 81.72 mn mandays of employment were created.

What is one to make of these statistics? While the government is able to reel off very precise figures of the expenditure incurred on the scheme and the employment generated, very little is disclosed about the types of projects taken for execution and the nature and quantum of productive assets built up. This is a significant omission since the government has always claimed that the crash scheme is not intended to dispense doles to the rural employed but to generate employment in productive development works. On the strength of this claim, the crash scheme, introduced as a non-Plan programme in 1971-72, was upgraded to the status of a Central Plan programme in 1972-73.

But despite its classification on paper as productive and developmental, there are strong reasons to believe that the scheme has worked by and large as a device for paying out doles to a section of the unemployed and the underem-

ployed in the rural areas. Consider, first, the aggregate figures of expenditure and employment generation. The figures given by the Minister of State for Agriculture for 1972-73, quoted above, give an expenditure of slightly over Rs 3.70 per manday of employment. If allowance is made for a minimum of administrative expenditure and for the leakages ubiquitous in public works of any sort and if it is assumed that the rates of wages paid under the scheme are broadly in line with those prevailing for agricultural labour in the respective areas, the expenditure of Rs 3.70 per manday of employment created leaves very little for spending on implements and materials. While it is only right that projects taken up under the crash scheme should be labour intensive with a high wage component in total expenditure, productive works designed to create durable assets would necessarily involve a certain minimum expenditure on tools and implements and materials.

Second, figures of the progress of expenditure during the financial year suggest that the overriding concern of the state governments and the authorities lower down in charge of the execution of projects is with using up the sanctioned allocations fully. Thus, till the end of January, the expenditure under the scheme in 1972-73 was put at Rs 23 crores by the Minister of Food and Agriculture speaking in the last week of February. Last Monday, just a month later, the Minister of State for Agriculture quoted a figure of Rs 32.52 crores as the expenditure on the scheme "so far". He had no doubt either that, by the end of the financial year, the entire outlay of Rs 48.44 crores provided for the scheme would be spent. The sharp acceleration of the pace of spending in the last few months and weeks of the financial year does not exactly make for faith in the productive character of the projects taken up.

Thirdly, it was officially disclosed at a seminar on the progress of the crash scheme in New Delhi last month that between 70 and 80 per cent of the expenditure on the scheme so far had been on rural roads. Now, it is well known that road building is the first resort of district bureaucracies with money to spend and with nothing particularly worthwhile to spend it on. The list of the types of programmes expected to be taken up under the crash scheme is a long one and includes minor irrigation, soil conservation, flood protection, and even construction of school buildings and housing colonies for the poor. It is

significant that, with such a wide range to choose from, almost four-fifths of the outlay under the scheme should have been on so-called road-building.

Finally, the fairly large sums of money which have been made available to the district administrations under the crash scheme appear to have had very little impact in terms of efforts to devise suitable organisational machinery to formulate, select and execute projects, as would have been necessary if concern with the productiveness of projects had been less perfunctory. Nor does much thought appear to have been expended on how to recoup, in part or full, the cost of productive schemes from their beneficiaries, which may, again, suggest that there has not been a surfeit of such schemes. The Kerala government's innovation of the labour-cum-development bank, which is about to be launched in one of the districts of the state, appears to be very much the exception to the general pattern.

Indo-US Relations

Much to Live Down

A Correspondent writes:

AN adviser can influence the modulations of policy; he is rarely, if ever, the progenitor of policy. Subject to the myth of Henry Kissinger's immortality, those who had contrary notions about Richard Nixon's competence and power of imagination should, therefore, start revising them. India, to its cost, is now at the receiving end of the well-seasoned Nixon treatment. The shipment of arms is being resumed to Pakistan, but the blow has been deliberately softened by the withdrawal of the order suspending economic assistance to India. Ample hint is being thrown toward the direction of India that the bounty would proceed even beyond the frozen amount in the aid-pipeline — if it remains on its best behaviour in the coming period.

Given the anticipated steep decline in the country's foreign exchange holdings and with the ensuing monsoon still altogether an unknown contingency, Indira Gandhi has not many options left. She can murmur mild protests to Ambassador Moynihan regarding the resumption of arms aid to Pakistan; but she can hardly afford to raise her voice — the element of sorrow has necessarily to outweigh the element of anger in the note of protest. This is an awkward exercise, particularly in view of her not too ancient fulminations against the CIA and her somewhat condescend-

ing attitude towards the Pakistanis at about this time last year. The hawks and the illiterates at home have to be kept in good humour as well as on proper leash. She should have realised by now that, in the light of her reluctance — or inability, if you will — to initiate vital political and institutional reforms at home, and the US being the only country in the world with enough wheat to spare under more or less reasonable terms, she will have to be at least for a while a prisoner of American-foreign policy. President Nixon knows as much, and is making the fullest use of this knowledge.

This could be merely the thin end of the wedge. If the economic situation does not improve in India and there is a repetition of last year's drought, the US administration might gradually try to push India into an impossible corner. We would then have a large number of statements to live down and a large quantum of *braggadocio* to swallow. The hassle over the prisoners-of-war captured in Bangladesh could then become a matter of major concern. Even now, instead of our trying to influence the nuances of Bangladesh's policy on this question, we seem to have through sheer force of circumstance converted our own policy into the dependent variable. Perhaps too many objectives have been sought to be furthered through a single instrument of policy; and, as the games theoreticians would say, the system has become under-determined. For instance, our goals in Kashmir have tended to get mixed up with issues related to Bangladesh; we might find it increasingly difficult to extricate ourselves from the current impasse with dignity and honour in case President Nixon decides to adopt a hard stance. But then it is little use blaming others: we made the bed and we have to lie on it.

Cotton

Soft-Headed or Over-Generous?

WHEN it was set up on September 15, 1970, the Cotton Corporation of India was assigned the task of taking over the import trade in cotton; it was also to undertake purchases of domestic cotton by way of price support and to provide a ready market for the indigenous extra long staple varieties at 'fair prices'. The first Board of Directors consisted of eight members — four officials and four non-officials; an official was chairman. How effectively has CCI performed

these tasks?

Its share of the cotton import trade has gone up progressively from 26 per cent in 1970-71 to 56 per cent in 1971-72 and to 82 per cent in 1972-73. After Partition, imports which used to account for about 13 per cent of the total requirements of undivided India, began to account for 40 per cent of our requirements. Efforts were therefore directed to increase cotton output, particularly of the long staple and extra long staple varieties. Since there was a nominal specific duty on imported cotton, and as cotton prices in India were much higher than international prices, the Indian Cotton Mills Federation used to charge a premium of about Rs 475 per bale, collecting in the bargain about Rs 25 crores. The amount was used to subsidise cloth exports. However, the industry itself has been consistently more inclined to make short-term gains on its purchases of cotton than to adopt measures that might ensure increased cotton production in the future.

When the country had a record crop in 1971-72, the industry behaved with its usual shortsightedness. Though firm figures are not available even today, government estimated the 1971-72 crop to be 6.5 million bales; on March 21, 1972, Deputy Commerce Minister A C George put it at 6.8 mn bales; and on March 24, CCI placed it at 7.0 mn bales. Trade and industry put forward its own estimate at 7.4 mn bales; and it was generally suspected that the figure was intended to depress the market. In any case, the record crop did have its impact on prices. The cotton price index (1963-64 = 100) declined from 253 at the beginning of September 1971 to 162 by end of April 1972. Government thus asked CCI to enter the market from May 1972. Between May and August 1972, CCI purchased 517,364 bales valued at Rs 55 crores. As a result, the price improved, and the index finished the season at 168.

With the failure of the rains in 1972-73, the early months of the current season were marked by apprehensions of a cotton shortage. The price index moved up to 196 by November 1972. But with the monsoon failure, resulting also in a power shortage in various parts of the country, the demand for cotton was subdued. It is now granted that, even with a shortfall in production, the season will end with about the same carryover stock of over 2 mn bales. From the beginning of December 1972, prices of most varieties of cotton have

consequently been on the decline. The heavy import duty of 40 per cent imposed on imported cotton recently resulted in a rise in the price of extra long staple varieties; but even that rise proved shortlived. In its support operations, CCI has had little help from the industry which though it complains about instability of cotton supplies is also unwilling to build up inventories, preferring to take up supplies when it can at lower prices for short-term gains. During the current season, by February-end, CCI had purchased 320,000 bales in the North and at ruling market rates — though it is not supposed to enter the market except when prices threaten to sink below the minimum rates stipulated on January 24, 1973. Interesting, too, is the fact that it has purchased these quantities mainly with a view to providing a ready market for the extra long staple varieties which go into the finer types of cloth. Even during 1971-72, when the country had a record crop, it must be remembered that production of the extra long staple varieties had declined by about 120,000 bales. During the current season, production will be still lower notwithstanding that the heavy import duty on imported cotton was probably aimed to stimulate production.

Now that it is clear that the cotton supply is comfortable for the scaled-down demand, government has asked CCI to wait and watch the market. It has even appointed an 'action Committee' to watch price trends, particularly of the superior varieties. Special measures are to be taken if the price situation appears to warrant them. CCI therefore has not made any further purchase during the last two months. But how serious is government itself about developing a systematic procurement and price support policy? Except in Maharashtra, no procurement price has been fixed anywhere else in the country. Even the monopoly procurement scheme of Maharashtra has been successful at a high cost. On March 17, Y J Mohite, State Minister for Co-operation, claimed that the scheme was a success: the market season in Maharashtra is about to end, and the state has already procured 1.06 million bales of cotton; only 'vested interests' were launching the propaganda against the scheme. What Mohite failed to mention is that, in spite of two price reductions, the state has not been able to sell even 200,000 bales. At the last auction, held just a few days ago, not a single bale could be sold. The state government is in for a huge loss, which will be known only at the end of the season.

Calcutta Diary

A M

CERTAIN themes are conventionally popular, certain others are not. There is also the matter of the Defence of India Rules, anything and everything might come under whose purview: the 1971 war lasted exactly fifteen days, but, so what, the D I Rules and the emergency would seem to go on for ever, for is not the nation riding from one crisis to the next? That apart, one must also be wary of not stoking parochial passions; already there is a sufficient stock of these to last, conceivably, for the next couple of generations.

But should not one nonetheless occasionally wonder about the morphology of the mounting defence expenditure? From the way the ministers flaunt their view, it would be almost a sacrilege to question any element of the defence outlay: others might abide the question, but this segment of public expenditure is free from parliamentary — or extra-parliamentary — probe. Thus nearly four per cent of national income annually disappears — merely with the leave of the Central Cabinet. In terms of per capita income, we may come right at the bottom of the list of United Nations members; in terms of defence outlay, however, we cut a much more distinguished figure, and appear close to the very top — in ordinal ranking, the sixth or seventh position. If one were to make the same inquiry with respect to the overall size of developmental expenditure, the answer would be quite different: we would be struggling hard to retain even a middle-order position among a cross-section of one hundred twentyfive and odd countries around the world.

To each nation, it could be argued, its sovereignty. Given all the deficiencies — known as well as unknown — of the democratic parliamentary system, the people have chosen a government; it is this government which has decided in its wisdom to maintain a certain level of defence expenditure. If this order of military outlay erodes the scope for expanding productive public investment, which in turn constricts the possibilities of even productive private expansion, while voices of dissent may crop up here and there, nothing much else can be done. If people decide to prefer the relative waste of defence outlay to the relative tangible gains which could stem from a quickening of the pace of economic growth, it is their funeral. As long as

you continue to be a part of the system, you have to lump such seeming absurdities.

But caricaturing the academics, cannot one say that even where the macro elements are taken for granted, there still remain the micro elements. What about the income distribution effect of the defence budget? How does one assess the national worth of a pattern of fiscal outlay which may seriously distort every year the regional distribution of incomes, besides providing comfort and nourishment to a segment of the population who, because of the nature of their training and upbringing, have usually a built-in contempt for the normal democratic processes?

This is scarcely a rhetorical question. Even a rough and ready exercise sheds interesting light. Of the total — and revealed — outlay on defence, currently running at around Rs 1,600 crores, perhaps as much as quarter consists of 'leakages', in the sense that it goes for the import of military hardware and equipment. For the domestic economic system, therefore, this segment of the aggregate defence expenditure has no particular distributional implication. A further Rs 400 crores, again on a rough reckoning, would represent expenditure for the purchase of goods within the country, either directly through the instrumentality of defence production or from private parties via agency arrangements. The remaining half of the allotted outlay — Rs 800 crores — would consist of wages and salaries.

For strategic reasons, the defence production units are fairly evenly distributed over the country. Who however gets the defence contracts? Would one be hopelessly wrong in assuming that at least two-thirds of the total purchases of goods by the Ministry of Defence are purchases confined to an area within a radius of, say, two hundred and fifty miles centring on New Delhi? What the Americans call the fall-out of this part of defence expenditure would therefore by and large benefit the citizenry of Punjab, Haryana, Rajasthan and western Uttar Pradesh. Even if one were to inquire into the regional distribution of wages and salaries disbursed out of the defence budget, there too the tilt would be heavily in favour of Punjab, Haryana, Rajasthan and western Uttar Pradesh, even though Maharashtra, Tamil Nadu and certain areas of Karnataka would also not be entirely

left out of the picture. One wishes one could potter around with the data and see whether some kind of statistical correlation exists between the wage bills of the various wings of the Ministry of Defence and the destination pattern of postal remittances from locations with sizeable defence establishments. Moreover, here we are dealing not only with just one flow, but several ones. Pensioned-off defence personnel perhaps are as numerous a category as those who are at any given moment on the rolls of the Ministry. Since the age of retirement is fairly early in the services, proportionate to the population, pensions are drawn by a much larger number than in the case of civilian employees of the Government.

This is however only one part of the story. It would be almost impossible for any outsider to discover the special additional privileges that go with employment in the defence services. A Pay Commission, set up every dozen years or thereabouts, may, if it so wills, attempt to ferret out some of the facts, but the process could wear it out, for there is bound to be layers and layers of discovery. Thus one has heard of the custom of precious public land being freely distributed to retiring defence personnel, of special superannuation schemes, and other privileges. One or two residential areas in New Delhi, where real estate has appreciated two to three thousand per cent over the last twentyfive years, have been the exclusive by-product of Government munificence to members of the defence services. Facilities for special loans, most of which are in any case never returned, reflect another facet of the Government's revealed preference.

Even were the leakage through imports excluded, the rest of the defence budget would be equal to nearly three per cent of our national income. Where the involvement of the government in the national economy does not exceed fifteen per cent of GNP, and aggregate public investment wobbles around five per cent, three per cent of national income is no negligible category; the manner in which it is allocated between the different parts of the country cannot but have enormous consequences for regional income distribution.

There is a certain autoregressive character in the process that is unleashed. Deep calls to the deep; defence personnel, currently serving or retired, similarly call to other defence personnel, again currently employed or retired. If you are keen on obtaining a defence contract, all you may have to do is to catch hold of a retired brigadier

Early warning signals or no, a policy of *dirigisme* here can well be ruinous for the polity. Manifestations of alienation may, and do, take diverse forms; if things are allowed to slide, an explosion can occur even in an altogether unexpected quarter. One has to tackle the problem at its source: unless the rules and procedures for recruitment in the defence forces are turned upside down, regional jealousies may in any case spread with increasing intensity.

Lost Battles

THE International Press Institute has just published its annual review of press freedom in various countries of the world. Of India it has this to say: "The press in India continues in general to be free, although there is evidence of attempts to guide the press by various groups".

The plea not to raise the issue lest it gives rise to sectarian emotions would then become infructuous.

Naturally, there will be fierce resistance to the introduction of changes in recruitment rules. The entrenched ones will try to keep out those who have till now been not successful in obtaining any share of the defence gravy. The almost obstinate persistence with which certain minimum physical specifications have been prescribed for entry into the defence services has gone to strengthen the suspicion that a conspiracy is afoot to exclude people from some parts of the country. The emphasis is on maintaining the closed shop, despite the fact that the craft of waging war, whether on land or sea or in the air, has been so overwhelmingly mechanised that norms handed down by the British more than a century ago are now ridiculously irrelevant. We are back to the cliché about justice not merely being done, but also of appearing to be done. And a cliché need not be ignored only because it is cliché.

First it was the ownership diffusion bill which sent shivers down the proprietors of big newspapers. Then it dawned on the powers-that-be that the proposed bill would place the big newspapers under the control of journalist trade unions supported by political parties of various hues. Since this was not a very palatable idea, the diffusion attempt was given up. Next came the newsprint control order. This time the big newspapers fought a legal battle and won. Now the idea of diffusion of ownership of big newspapers appears to have been revived, but in a modified form which will keep the journalists unions at a safe distance from editorial policy and management matters in big newspapers. The thinking of the Information and Broadcasting Ministry in New Delhi appears to be that it is easier to deal with newspaper proprietors than with journalist unions. Thus the Indian Federation of Working Journalists was not very far from the truth when, at its recent Patna session, it alleged collusion of a sort between the proprietors of big newspapers and a section of the government.

Well-Covered and Expanding

CAMPHOR AND ALLIED PRODUCTS has negotiated with the state government of Meghalaya for forming a company in the joint sector with it to exploit the forest resources of that state. It is proposed to utilise cinnamon leaves, lemon grass, epicac roots, etc, which are found in abundance in the state, for manufacture of eugenol, lemongrass oil, emetine hydrochloride, vanillin and derivatives, and citral and derivatives. It is also intended to exploit the pine forests, in the second phase, to establish a factory for manufacture of rosin and turpentine. The entire project, in two phases, is estimated to cost Rs 50 lakhs, inclusive of fixed assets and working capital. The issued capital of the new company is expected to be around Rs 22 lakhs, of which Camphor will be required to invest Rs 9 lakhs. The essential oils and other chemicals manu-

factured by the new company will provide basic raw materials for certain perfumery chemicals in which Camphor is interested. Rosin and turpentine, to be manufactured in the second phase, are also raw materials for camphor and other products of the company.

The designing and layout of the plant for Camphor's expansion project of terpene resins and para-menthane hydroperoxide — delayed owing to certain technical problems — is now expected to be ready by the end of 1973. The company has obtained a 'letter of intent' for manufacture of 500 tonnes of toxaphene. The total project cost, it is estimated, will be around Rs 35 lakhs and negotiations are in progress with an Indian party for obtaining the know-how. Camphor has agreed in principle to provide the technical knowhow and to render continuous technical services

to Terpene Industries, registered in Himachal Pradesh, for manufacture of terpineol and pinene. It is proposed to charge the knowhow fees of Rs 2 lakhs and royalty on production. Detailed terms and conditions of the agreement are being negotiated.

Camphor's results, for the 12th year ended December last, have been encouraging with advance in sales and profits. Wit a reduced tax liability, net profit has shot up from Rs 33 lakhs to Rs 61 lakhs, and the maintained equity distribution of 15 per cent was covered more than 6 times by earnings. The board has also recommended issue of gift shares on a one-for-two basis. These results were obtained, despite a 10-day strike by workmen on "very flimsy demands". The 9.23 per cent cumulative preference shares, of Rs 10 lakhs, have been redeemed. Last year, the company obtained a foreign exchange loan equivalent of over Rs 18 lakhs from ICICI, and a term loan of Rs 20 lakhs from a nationalised bank. A trust for the establishment of a hospital in Clut-

(Rs in Lakhs)

	Camphor and Allied Products		Madura Mills		Bombay Dyeing		Aruna Sugars	
	Latest Year 31-12-72	Last Year 31-12-71	Latest Year 31-12-72	Last Year 31-12-71	Latest Year 31-12-72	Last Year 31-12-71	Latest Year 30-9-72	Last Year 30-9-71
Paid-up capital	60	70	700	700	361	361	104	104
Reserves	158	107	499	459	416	387	84	56
Borrowings	141	95	472	411	752	1213	215	230
of which Term borrowings	108	70	317	316	374	330	23	27
Gross fixed assets	241	226	2140	1969	2181	2078	359	307
Net fixed assets	170	165	759	681	541	529	244	213
Investments	—	—	42	43	30	39	10	5
Current liabilities	113	147	818	1071	802	631	95	44
Current assets	216	220	1689	1918	1762	2024	244	216
Stocks	75	67	1020	1362	1299	1503	175	195
Book debts	124	144	625	527	460	518	61	14
Net sales	329	295	3602	3531	3833	3359	476	319
Other income	2	2	23	24	58	54	16	3
Raw material costs	134	114	1642	2382	1709	1790	275	208
Wages	30	30	827	698	834	808	33	21
Interest	13	11	90	91	131	138	24	23
Gross profit(+)/loss(—)	93	80	252	225	272	225	79	45
Depreciation provision	11	10	98	94	100	95	21	17
Tax provision	21	37	59	61	92	51	3	—
Net profit(+)/loss(—)	61	33	95	70	80	79	55	28
Development rebate provision	6	4	31	15	19	18	7	8
Transfer to reserves	46	19	1	—	3	14	29	8
Dividend								
Amount	P E 9	1 9	63	56	58	47	P 1 E 18	1 11
Rate (per cent)	P E 15	9.23 15	9	8	16	13	P 9.3 E 20	9.3 12
Cover (times)	6.11	3.11	1.01	1.00	1.05	1.32	2.45	1.66
Ratios (per cent)								
Gross profit/sales	29.78	27.12	7.00	6.37	7.09	6.70	16.60	14.10
Net profit/capital employed	17.00	12.13	5.68	4.46	5.23	4.03	13.64	7.18
Inventories/sales	22.79	22.71	28.32	38.57	33.89	44.74	36.74	61.13
Wages/sales	9.12	10.17	22.96	19.76	21.75	24.05	6.93	6.55

terbuckganj has been created by the company by an initial donation of Rs 25,000. It is proposed to donate another Rs 2 lakhs during the current year.

MADURA MILLS' directors propose an amalgamation of their company, A and F Harvey, and J and P Coats (India). A and F Harvey was associated with Madura from its inception, as its managing agents, until December 31, 1969, and holds a substantial share in it. J and P Coats (India), which has a sewing thread factory in Koratti and is a wholly-owned subsidiary of J and P Coats of Glasgow, has been for years one of the principal customers of the company, buying practically its entire requirements of yarn from it. It is argued that the vertical integration of the businesses and the association with Coats of Glasgow would be advantageous for the shareholders as well as for the country by way of the export potential generated by the amalgamation. As the three companies are interconnected undertakings and their amalgamation would require government's approval under MRTP Act, an application was jointly submitted to government in November. Details of the scheme of amalgamation will be placed before the shareholders as soon as an indication is received of government's willingness to let the proposal go forward. Madura received expansion licences for 100 industrial looms and 400 civil looms last year and proceeded with the implementation. Certain equipment is expected to be received and installed this year. Requisite licence for reopening the Pandyan mill unit at Madurai was received and the modernised mill was reopened in July last. However, the power-cut prevented it from being as productive as expected. Further progress was achieved by the company in modernising its mills by installing several new equipment. Overall activity during 1972 was lower, compared to in the previous year, mainly owing to labour relations and partly owing to the 25 per cent power-cut from October last; nevertheless, production in civil fabrics was higher than in the previous year. Workers of the company's units at Madurai and Ambasamudram went on strike for 10 days in March 1972, in support of the agitation by textile workers at Coimbatore. There were also major stoppages of production at Madurai for over 40 days in May/June, and again for 25 days in October. The man-days lost due to these stoppages totalled as much as three lakhs. The company's working, however, showed a fair

improvement over the previous year owing to an improved supply position and consequent fall in prices of Indian cotton, despite considerable increase in the wage bill. The ratio of inventory/sales showed a notable fall over the year, and profit margins also looked up.

BOMBAY DYEING is replacing the old plain looms of its textile mills by Sulzer weaving machines along with ancillary machinery. The company has received the first licence for 56 machines under government's policy for imports of sophisticated machinery for exporting units. The project, estimated to cost Rs 410 lakhs, will be chiefly financed by a foreign exchange loan which ICICI has agreed to provide. A new shed to house these looms is expected to be ready by the end of May this year, in time for arrival of the looms. This will be the first time that Sulzer machines will be installed in a cotton textile mill in India. On these new looms, the company will produce chiefly fabrics of synthetic blends. In keeping with its policy of modernisation and rehabilitation, the renovation of speed frames and ring frames of the textile mills was almost completed last year. A few machines, however, are still to arrive. The waste plant has been closed down from July last, as it had become obsolete and uneconomical to run. An additional high pressure beam dyeing machine for dyeing terry-cot fabrics, four new automatic dyeing jiggers, and a hot flue drier, have been installed at the new bleach works to meet the demand for dyed goods. Also, three screen printing tables with trolleys have been purchased to meet the growing demand for printed goods. An additional diesel generating set has been purchased and installed at the spring mills to offset a part of the power-cut. The company will have to fulfil its obligation for manufacture of controlled varieties of fabrics by either getting other mills to undertake the obligation or by making payment of a contribution to the Export Promotion Fund Consumer Subsidy Fund. Its maximum liability for 1973 is estimated at Rs 61 lakhs. The company has had a very good year to December last, with fair increases in sales and profits. Total production of cloth aggregated 781 lakh metres — some 50 lakh metres more than the previous year. Even considering that profit on sales of assets brought in Rs 16 lakhs more at Rs 63 lakhs, the advance in gross profit looks quite impressive, since it has been arrived at after providing a substantially higher amount of Rs 108 lakhs for gratuities,

for which only Rs 6 lakhs were set aside last year. The advance, however, has been almost nullified at the 'net' level by the larger provisions for depreciation and taxation. Cover on the dividend — stepped up 3 points to 16 per cent — is, therefore, thinner. The company was able to reduce its borrowings considerably. Both inventory and wages in relation to sales were lower compared to the previous year and profit margins improved. The company's exports amounted to Rs 804 lakhs, against Rs 548 lakhs in 1971 and Rs 420 lakhs in 1970.

ARUNA SUGARS has increased its crushing capacity from 2,000 to 3,000 tonnes of cane per day, at a cost of about Rs 99 lakhs. On the recommendation of the government of Tamil Nadu, the company has been issued a 'letter of intent' to further increase capacity to 4,000 tonnes per day. The new expansion is estimated to cost about Rs 200 lakhs. Ways and means of finding finance for this expansion are being considered. Meanwhile, efforts continue to be made to expand the area and increase the yield of cane per acre in the surrounding area. IFCI and ICICI have sanctioned term loans of Rs 40 lakhs each, and have stipulated that they would have the right to convert upto Rs 6 lakhs each out of the loan amounts into equity shares of the company. The right will be exercisable during the two years ending September 1976, and Rs 10 shares will be purchased at Rs 12 each. Aruna has produced good results for 1971-72, with higher sales and earnings. Dividend was stepped up 8 points to 20 per cent, which too enjoyed a much better cover than in the preceding year. The board has also recommended issue of bonus shares on a two-for-five basis. The workers and the staff were paid 20 per cent of their total wages by way of bonus and an extra 16 per cent as ex-gratia payment. The factory crushed 2,69,949 tonnes of cane and produced 2,54,401 quintals of sugar with a recovery of 9.39 per cent during 1971-72, as compared to 2,47,036 tonnes of cane crushed and 2,31,288 quintals of sugar produced with a recovery of 9.27 per cent in the previous year. The subsidiary, Arvind Distillery, commenced construction work in December 1971 and commissioned its distillery in April last year. Its present capacity is about 18,000 litres of rectified spirit per day and it has expansion schemes on hand.

No Answers in "Babaism"

Romesh Thapar

SATYA SAI BABA is back with us. This time, with Cabinet Minister Pai presiding, the miracle man took off on the question of socialism. "It's all a question of the 'I' being transformed into the 'We'". Indira Gandhi, back from a rather verbose meeting of Congress chieftains in Patiala, pondered on this latest babaism. For those who possess the secret power to command the materialisation of physical objects at the flick of a finger or the movement of a hand, socialist transformations may appear miserable little exercises in the totality of miraculous activity. Indira Gandhi perhaps knows better. We've had enough of babaisms.

Of course, this is not to suggest that babaism is not rampant in the highest circles. There's always a Cabinet Minister to act patron to one or another Baba — religious, mystical, secular, ideological and what have you. Some imagine that they themselves are Babas of a sort. How else can cynical word-spinners like D P Dhar — sorry, P R Dhar — wax eloquent about the present as the moment to purge and purify the Congress Party. He's obviously hoping that he'll have the power to decide what's healthy and what's rotten. A pathetic hope. Even a cursory look at the Planning Commission is enough to warn the Prime Minister of what to expect.

Visitors to the Capital are beginning to comment in a somewhat disturbed frame of mind about Delhi's euphoric mood. The political rulers are talking about "international conspiracies" to disturb the stability of the subcontinent and of "grander alliances" acting at the behest of these conspirators. The administrators speak of things "under control" and "decisions in the pipeline" about wages and prices. Golf championships and flower shows are under way. There are festivals of films and music and theatre. Tourist specialists from distant corners have been gathering for parleys. Roads are being re-surfaced. Bridges for speedier traffic movement are being opened. There are no crises — yes, not even a shortage of water and power. How relevant is this Capital scene against the traumas facing agriculture, industry and urban settlements throughout the subcontinent.

Are we suffering from a serious attack of what the Chinese call "mountain-topism"? Have we become so obsessed

in Delhi with the business of power manipulation that we are unable to focus on matters which need our urgent attention? Is this why the Capital's elite talks of little else except the doings of Sanjay Gandhi, compelling the Prime Minister to become what many think rather too involved and over-sensitive? Is it possible that we are actually insensitive to the significance of the profound changes sweeping the subcontinent or wish to ignore the embryonic revolution that they represent? Is babaism the natural escape from reality?

There is a point to all this questioning. For the first time in 25 years of freedom we have become in New Delhi intolerant of sustained self-critical assessment. Self-criticisms, re-assessments, rebel thoughts are the essential fertiliser of free societies. We, who are in the process of complex development, cannot afford to become complacent. The Prime Minister is right when she castigates those who make mechanical comparisons between India and China, but she has yet to head a movement to examine some of the assumptions by which we have lived and worked these last 25 years.

Clearly, this was the task to which the Planning Commission should have addressed itself. From the public declarations of the Minister for Planning it appears that our ever-obliging press is on the verge of being persuaded that the corrections have to be carried out elsewhere. We are, there-

fore, talking of a "cadre-based party", of "purges" and of "purifications", even before we have clearly enunciated the objectives before the nation and now they are to be achieved. The Approach Paper is not such a document; it is merely a corrective of a sort to some of the confusion. A very much more precise elaboration of objectives must be attempted, and we must be shown with equal precision how these objectives will be achieved. Word-spinning by the political Babas in public (and private!) should be kept to the minimum — in fact, eliminated.

The sad fact remains that, given the ministerial team she has assembled, the Prime Minister will have to order such an exercise. We are drifting, and the drift has to be halted. This excessively talkative country is at last tiring of talk. It wants to see silent action. Is this possible between now and September, when the rains are expected to solve all immediate problems, including those of food prices? The "I" and the "We" are all very well, but the struggle for genuine socialism in democracy consists of very much more complex transformations.

Will the Prime Minister whip her Planning Commission, and its garrulous chief, into silent action or shall we have to plod along in confusion from one monsoon to the next? There are no answers to this question in babaism. What we need is a simple decision, or order. A difficult demand, for too many of the PM's senior colleagues would have her sit still and do little else than talk. A new financial year is about to begin. Let's inaugurate it well.

March 26

LETTERS TO EDITOR

Imperialism and Social Transformation

THE participation of Jose Rodriguez Elizondo of the Communist Party of Chile and myself in the International Seminar on Imperialism, Independence, and Social Transformation in the Contemporary World, held in New Delhi in March 1972 with the attendance among many others of Harry Magdoff, has given rise to an ideological (non) debate in Chile. Rodriguez Elizondo published in *El Siglo*, the official newspaper of his party, an article taking exception to my participation in the New Delhi seminar. The essential parts thereof are

quoted or summarised in my answering letter to *El Siglo*, which, after the latter declined to publish it, appeared in the Chilean bi-weekly *Punto Final*. Thereupon, Rodriguez Elizondo rebutted with another insertion in *El Siglo* and subsequently extended his critique in a two-page article in *Plan* and a twenty-page article in his party's theoretical journal, *Principios*. *El Siglo* also refrained from publishing an open letter addressed to it and other Santiago newspapers, signed by 36 people who took exception to the terms of Rodriguez Elizondo's

insertions in *El Siglo*. By virtue of the origins and implications of the issues involved, which reach beyond the confines of Chile, may I ask you to open the pages of your correspondence section for the reproduction of the following item of this debate:

"El Siglo
Santiago, Chile
Dear Editor,

Beyond disagreeing with the version presented by comrade Jose Rodriguez Elizondo about the seminar on Imperialism, Independence, and Social Transformation, held in New Delhi, which you published during my absence from Chile in your edition of April 18, 1972, I am sorry to say that I find myself obliged to deny categorically the affirmations made therein, concerning my alleged role in the above-mentioned seminar. Rather than invoking the protection of the bourgeois press law, which is still in effect in Chile, I urge you to publish my letter of refutation out of respect for the revolutionary truth that must guide us, and out of consideration for the revolutionary comradeship to which we aspire.

Comrade Rodriguez's claim that I made a diversionist motion allegedly for the purpose of excluding Chile from a resolution expressing solidarity with Vietnam and other countries is totally false. On the contrary — as the records of the final session of the seminar show — my motion expressly included Chile, together with the Palestinian and black North American liberation movements, all of which I proposed to add to the Vietnamese and others. In fact, one of the participants had proposed the addition of Chile to the original motion of solidarity with the peoples of Indochina, but the author of the original motion refused to accept this amendment, claiming it to be irrelevant. My motion, on the other hand, included Chile and, far from being diversionary as comrade Rodriguez alleges, it was passed by the assembly as a whole, including, I assume, Rodriguez himself. Thus, it is strange to find on my return to Chile that I supposedly tried to avoid or minimise expressions of international solidarity with the Chilean people at the time of the revelations concerning the ITT conspiracy.

It is totally false that "Gunder Frank attacked" the Communist party of Chile and that I termed the victory of the Unidad Popular coalition "ridiculous." In my statement — which was mimeographed and is available to any interested persons — I maintain that the drop in wages together with political mobilisation generated progressive electoral movements in Chile, Uruguay, Venezuela, and Argentina, which syste-

matically tried to give nationalism a class, and even an anti-bourgeois, character, and that in the case of Chile the Unidad Popular government had already suffered four attempted coups — and, at the time I drew up my statement, a fifth was being prepared. My statement maintains, furthermore, that the fascist menace grows to the extent that the Left puts its trust in constitutional guarantees and fails to prepare the masses to defend themselves. I did not violate the sense of the seminar in referring to the French and Italian Communist parties. Representatives of these and various other Communist parties had already intervened, in order to challenge the statement of an Indian who said, among other things, that the Communist parties were not always to be found in the political vanguard. Because of circumstances which made it impossible for the author of this statement to attend the seminar, and because half a dozen speakers rose to criticise him on this point alone, I considered it correct to express my solidarity (and that is the word I used), when I spoke during his absence. My intention was not, either in the aforementioned report or in my commentary, to attack the Communist party of Chile.

Inasmuch as the secretary of the seminar asked each speaker to present a written summary of his remarks on the reports, it may be opportune to reproduce my remarks here:

The principal question is the winning of state political power by the working class and the peasants. This has to be done by stages, but the alliances and changes and economic benefits of a period must be used in such a way as to broaden political support and strengthen political organisations among the masses, thus facilitating the advance to the next stage. Lacking this essential political mass line, the "noncapitalist" way leads to the possibility of neocolonialist and neofascist reverses. In Chile the short-term economic programme of redistribution of income, employment, and popular consumption has been very successful in itself, but it is approaching its inherent limits. The statements and documents of the parties and leaders of the Unidad Popular coalition all express concern over the fact that the first fifteen months of the regime were not used profitably by the people's parties, which were organising mass support to facilitate the transition from the economic short-term programme to the structural transformation of the Chilean economy, society, and politics as envisioned in the programme of the Unidad Popular.

The reader can see that this statement, which is the only summary of my

intervention as delivered to the secretary of the seminar for eventual publication as part of the proceedings, has a tone and content very different from that attributed to it and employed by comrade Rodriguez.

Challenging comrade Rodriguez in a closed session, in which he attempted to borrow Fidel's authority in qualifying the Chilean process as revolutionary, I said that to the extent that it lacked sufficient people's mobilisation — as Fidel himself had observed in his speech at the National Stadium — it was not revolutionary.

The version of my intervention as presented by comrade Rodriguez contains other distortions. For example, as far as Ceylon is concerned, I suggested — in the context of a discussion of the international political situation — that the possibility exists (as can be deduced from the summary above) that the political process in Ceylon is arriving at neofascism. A formulation very different from that which comrade Rodriguez attributes to me, i.e., that Ceylon is fascist. (I might add that two weeks later the General Secretary of the Communist party of Ceylon explained to me, as we dined in his home, why he had just voted in Parliament against the new repressive law passed by a majority which included the party of Prime Minister Bandaranaike and the Trotskyist party, and why the imminent resignation of the Communist party from the government coalition seemed to him to be a good thing, inasmuch as the party could then give leadership to the growing opposition to the government.)

Finally, and even more serious, comrade Rodriguez's claim that I "spoke in the name of a [Chilean] political group" is absolutely untrue. I never made such a claim nor even hinted at it anywhere, because it is not the case. Very much to the contrary, when in India I stressed the fact that I spoke for myself alone. It is clear that anyone who claims that he or someone else speaks in the name of a political group or "represents" such a group would be lacking in respect for his listeners or readers were he not to identify the group in question — something which comrade Rodriguez does not dare to do.

I invite comrade Rodriguez's collaboration in the future in our common task, in a spirit of greater fraternalism and revolutionary truth."

Santiago, Chile ANDRE GUNDER FRANK

Towards a Cultural Policy

S SHUKLA (March 17, pp 535-36) seems to have missed the central point of Sudhir Chandra's comments on the

Simla seminar on cultural policy. The point at issue is not that there are powerful concentrations in the country, or that they are capable of imposing their will on the people. The essential point is whether any of those concentrations should enjoy such power in a democracy. Shukla seems to have side-tracked this issue almost completely.

Shukla's letter seems to convey the impression that cultural regimentation is acceptable when it is sought to be promoted by the ruling elite of the country, but quite unacceptable when promoted or advocated by any of the other agencies or political groups out of power. (Or, there would not have been so much clamour about the policy of Indianisation advocated by Balraj Madhok and accepted by Jan Sangh.) I am afraid that this is a dangerous doctrine and can boomerang against us. If we concede that a political group in power has a right to regiment or impose its will on the people, we would be closing our eyes to the fact that the dynamics of power fluctuate easily and those out of power today may well be in it tomorrow.

It is equally difficult to accept Shukla's suggestion that every powerful group tries sooner or later to become all-powerful. Be that as it may, successful survival of democracy (and by that I mean more than the periodic exercise of franchise) depends on impediments to a powerful group becoming all-powerful. Without them, the corrupting influence of power would be untrained and a little power, not absolute

power, would be sufficient to corrupt absolutely.

Social and cultural diversity constitutes a basic condition of a free and secular society. For such a society, 'let a hundred flowers bloom and a hundred schools of thought contend' is not merely an attractive slogan but its very essence. Once this diversity is sought to be eliminated, the structure of a democratic polity begins to weaken and can even crumble. Of course, I entirely share Shukla's basic faith that the people are unlikely to allow a crumbling of the democratic order. But it would be worthwhile to remember that even the people can be deceived by a clever ideology.

Ideology is amenable to multiple uses in society, especially a poor society. It can be used to expose real problems and to trace their causes. Or, it can be used to deflect attention from real problems by seeking scapegoats for social evils. Shukla is absolutely right in suggesting that the defence of freedom cannot be built except in the struggle for equality and programmatic statements to that effect bear continuous repetition. But we should also remember that equality will come in the end not by periodic repetitions of programmatic slogans (for that a periodic re-reading of the Constitution should be enough), but by hard and concrete actions. Ultimately, actions alone will determine whether men and women, all of them, become persons or remain mere means.

New Delhi

IMTIAZ AHMAD

FROM OUR CORRESPONDENTS

NEW DELHI

Clearing the Way for Toyo

THE much publicised Action Committee on Public Sector Enterprises, which was set up with high hopes to strengthen these enterprises and improve their working, does not seem to have achieved any worthwhile results so far. On the contrary, the feeling is growing that it has reduced itself to being either a pure nuisance or, worse still, an instrument for advancing the narrow interests of ambitious individuals and groups. Its first reports on the Fertiliser Corporation of India strengthens this impression.

The concluding portion of its main report on the FCI is revealing. The Committee makes the sweeping recommendation that the performance of the FCI was not likely to improve unless its top management was changed. This

recommendation has nothing to support it in the body of the report. It can be regarded only as an attempt to make use of the Committee to pursue a personal vendetta in which some members of the Committee are involved. The Committee's report does not even define the criteria by which it judged the performance of the FCI and found it wanting, leading to the recommendation for changes in its top management.

The precise objective of the report becomes clearer from the off-hand remarks made about some of the projects of the FCI and the work of its planning and design services division. The Committee proposes a re-evaluation of the FCI's present design and technology capabilities in relation to what is offer-

ed by the "best international companies". More specifically, it asks for such a re-evaluation of the proposed coal-based fertiliser plants as well as the plants which are under commissioning. Experts, presumably foreign experts, are to be invited to undertake this re-evaluation and, pending this assessment of the FCI's abilities, no new project are to be assigned to the FCI. This really gives the game away. The objective plainly is to clear the way for the entry of Toyo of Japan in association with the Engineers India into the fertiliser field.

Simultaneously with the presentation of the Action Committee's report, there has been a spurt in the spate of charges and innuendoes against the FCI and its top management. A sustained campaign to demoralise the FCI management seems to be under way. This has had some effect. The Chairman of FCI, H N Sethna, who also heads the Atomic Energy Commission, is understood to have submitted his resignation. It is disconcerting that the new Minister of Petroleum and Chemicals, D K Barooah, has taken the line of least resistance and gone along with this campaign. He has talked of taking away marketing of fertilisers from FCI and giving it back to the Agriculture Ministry. He has also talked of undertaking a major reorganisation of the FCI. Clearly, he has had no time to examine the complicated issues involved in these major policy moves. He is reported to have explained that he knew how to handle inconvenient questions in Parliament and keep MPs happy and that at this stage he was not bothered by any other consideration.

The issue of the FCI's marketing function needs to be examined more carefully. It was as far back as in 1966 that, after a careful study of the entire problem, it was decided that the production units, both in the private and public sectors, should be given the responsibility for promoting the use of fertilisers and for their marketing. It was, therefore, decided that the fertiliser pool operated by the Agriculture Ministry should to begin with confine itself to improved fertilisers and afterwards, once imports were no longer necessary, completely divest itself of responsibility for marketing. To change this policy now, or even to announce the government's intention to do so, is most irresponsible on the part of the new Minister, considering that no thought has been given to the issues involved. Barooah evidently made his statement as part of an effort to remain on the right side of some critical MPs.

The criticism of the marketing of fertilisers by the FCI arose in connection with the decision of the FCI's Board

to refer some procedural irregularities in the recovery of dues from some defaulting dealers for investigation by the CBI. The Minister does not seem to have taken into account the fact that the FCI Board had itself taken the initiative in the matter; so there was no need to condemn the top management of the FCI for any lapse. But the Minister appeared to think that it was the FCI Board which was in the dock. To move from this to the announcement that the entire policy on marketing of fertilisers would be reversed and that the FCI set-up would be reorganised, was thoughtless.

The real problem in fertiliser marketing, with which the Minister obviously has yet to acquaint himself, is that it was largely the preserve of some of the bigger private sector companies like EID-Parry, Shaw Wallace and Jardine before the FCI established its own sales promotion and marketing network. It is inconceivable that fertiliser marketing can be handed over to the Agriculture Ministry which can at best allot quotas to the state governments and to the large private companies.

Meanwhile, the development of the

fertiliser industry remains clouded in uncertainty and indecision. The targets being talked about are still very ambitious ones, though some cold water has been thrown on the target mania by the Approach to the Fifth Plan which has assessed the requirement of fertilisers to be far less than projected by the Task Force for the industry. The work of breaking down the overall target into specific projects is still held up, probably because the government is not able to make up its mind, one way or the other, on the Toyo deal. A decision on this issue has been made more difficult by the uncertainty over the back up credits for these projects from Japan.

The growth of the fertiliser industry has been, right from the beginning, subject to pulls and pressures from many quarters, domestic and foreign. Yet the industry has come a long way, thanks to the work of a group of Indian scientists and engineers. It has now reached a stage from where it can go forward to achieve self-reliance and self-sufficiency. But the pulls and pressures have not eased.

ed in cut-throat competition with one another, in a bid to make their short-term gains, at the cost of long-term development.

While accepting the fact that a large proportion of colliery owners were unscrupulous exploiters of labour, "poor labour conditions and a mass of regulations administered through corrupt officials" have been blamed for the disinclination on the part of the private industry to expand activities. For the appalling conditions of work in the mines, the colliery owners have only themselves to blame. As early as in 1936, the Indian Coalfields Committee referred to the cruel exploitation of labour at the mines. In 1937, in his note to the Burrow's Committee, M S Krishnan had referred to the status of labour in the mines as one of the worst features of mining in India. The position was summed up again before the Estimates Committee of 1954-55:

"All that the private sector of the industry asks now is: Take away the irksome controls, allow us to increase the price of coal, don't ask us to pay the labour anything more and promise that you will not take our mines away from us; and in return we shall open mines and close them as we think best, produce coal in the manner that suits us best, and give the country coal to meet the requirements of the future".

On the question of transport, it is important not to ignore the point that, with the numerous loading points — big and small — suited to the private collieries, and the ownership pattern, it was difficult for Railways or anyone for that matter to evolve a rational and scientific pattern of movement. While this does not justify the inefficiency of Railways, it remains difficult to foresee how basic changes could be brought about in the transportation of coal without centralised control and management of production. Coal loading in the Bengal-Bihar area itself accounts for almost one-third of the total loading on the Indian Railways; and it does not require much argument to establish that co-ordinated movement would be facilitated by the setting up of a centralised authority for production and despatch of coal.

Much, however, would depend upon the manner in which the future plans are drawn up and the extent to which various operators and middlemen, who have been flourishing all these years, are eliminated. The future of the coal industry is no doubt, beset with many problems. To reorganise production in a scientific manner and to secure improvements in distribution, are matters on which further thought will have to be bestowed. Yet it is unlikely that colliery expansions, insofar as the erstwhile

private sector areas are concerned, would require an investment of Rs 500 crores. The cost of production per tonne of coal varies according to the nature of mine development — according to whether it is an open cast mine, a shallow mine or a deep mine. But the private industry used to put forward its own estimates as it suited the occasion. If it wanted a large loan from the financing institutions, it pushed up the cost estimates; if it sought to establish that it could do it, it would cut down the capital cost to a meagre sum. NCDC's cost of development is high, particularly as it has been in operation in virgin areas and has attempted a higher level of mechanisation. But it would be reasonable on balance to assume a cost of Rs 50 per tonne which implies a requirement of about Rs 100 crores for adding 20 million tonnes to the private sector's output. This order of investment, within a period of five or six years, was clearly beyond the capacity of the private mine-owners.

In any event, to allow the continuance of the present law of the jungle in the field of private coal mining would have been to acquiesce in mis-

management, corrupt practices, ruthless exploitation of labour, non-implementation of wage board awards, withholding of provident fund and other dues, slaughter mining, unethical sales practices through a host of middlemen, and accumulation of black money. A look at the luxurious living of the private colliery owners — in the guest houses or the director's bungalows at Sanctoria or Pench Valley, equipped with modern swimming pools and attached bars, in the midst of lakhs of workers living in misery and penury in dark hovels or huts and receiving not even half of their legitimate wages, or living in camps of the Coalfields Recruiting Organisation that are no different from jails or concentration camps and where they are huddled together and supervised during as well as outside working hours by 'commanders' appointed by the management — would convince anyone except the private colliery owners that there was need for government intervention. As in the case of coking coal, the take-over was delayed, mainly due to lack of a proper understanding of the problems and, more than this, due to lack of political will.

Making a Scapegoat of the Opposition

(From a Special Correspondent)

IT is all the fault of the Opposition. Following the victorious culmination of the Bangladesh war, our stock in the world had rocketed to the sky. Now all that is gone, on account of the sustained propaganda by the Opposition parties alleging corruption, poverty and suppression of civil liberties in the country. These parties are not only not aware of the 'foreign dangers' that threaten the country, but not giving a duly elected government a chance to prove its worth they are really betraying their innate non-democratic attitude.

Thus spoke the Prime Minister the other day at a public meeting at Patiala. The Prime Minister's words must be taken at their face value; which means she is genuinely feeling vulnerable. And yet, why should this be so? Pray, where is the Opposition which is not giving her government a chance? In the Lok Sabha, her party is ensconced in the assured comfort of having more than three-quarters of the seats: as against the Congress party's total roll of 373, the largest opposition group, the CPM, has only 25 members. In the Rajya Sabha too, the party's majority has just been restored after an interval of nearly forty months. Even in the states and

in the Union territories, it is the Congress all the way: leave out Tamil Nadu and the wobbly regime in Pondicherry. In each of the other states it is either a full-fledged Congress government or a coalition led and shaped by the Congress or the rule of the President, which is in some sense still better from the point of view of New Delhi. If the Prime Minister has in mind extra-Parliamentary manoeuvres by the opposition to harass her government, the charge is even more far fetched: Jan Sangh, riven by dissensions, has been on its best behaviour for months on end; the Swatantra party — aside from its presence by proxy in Orissa — has almost ceased to exist and is in any case incapable of organising any mass agitations; at the other end of the spectrum, the SSP has split in half-a-dozen different directions; the CPM, dazed and demoralised, is lying altogether low, especially in West Bengal; the Naxalites have been decimated. No Prime Minister in any parliamentary democracy could hope for a docile climate than India presents at the moment. The only complaint Indira Gandhi can have is that the opposition parties have not yet form-

ally closed shop and started singing invocations to her.

This is, therefore, particularly inept pleading. If India's image has plummeted down in the course of the past one year, neither the machinations of domestic opposition groups nor the evil doings of jealous foreign powers can be held responsible for the development. Even granting, for the sake of argument, Indira Gandhi's complaint about the potential danger from the activities of external agencies, should not one point out that she is mixing up the central factors with the peripheral ones? Foreign agents will feel flattered to hear the intimations of their invincibility straight from the Prime Minister's mouth, but in fact their ability to thrive is a severe function of internal socio-economic conditions. For two consecutive years now, the growth of per capita income in the country has been zero, or negative. The general price index has moved up by nearly 25 per cent between the last week of March 1971 and that of March 1973. Going by all the visible indicators, the magnitude of unemployment is swelling. The cumulative impact of all this, somebody should have the humility to admit, could be a certain lessening of enchantment with the ruling party, a certain hint of restlessness among groups which have been economically hit hard. Saturating talk of socialism does not always turn out to be an effective palliative to such symptoms of discontent. The conspiratorial theory of history was once upon a time the monopoly of the so-called radical Left: there is ground for concern if now it were to infect a respectable party of social democracy such as the Congress takes pride to describe itself to be.

The absence of charity, in not allowing a properly elected government a 'chance', may indeed evoke remorse; but look who is talking. The process started in the country way back in 1958, when Prime Minister Jawaharlal Nehru, on the advice of Congress President Indira Gandhi, decided to dictate the end of the duly elected Communist government in Kerala. There have been similar murky instances in the more recent past, including in West Bengal in 1967. In any case, if things have suddenly started to wobble for the Congress in the states, the opposition groups, jointly or severally, have contributed very little toward the unfolding of the mishaps. It is the internal factions of the Congress which are tearing up one another. Even in Andhra Pradesh, those clamouring the hoarsest for bifurcation of the state are as much flesh of the flesh of the ruling

COAL INDUSTRY

Laissez-Faire for Neglect?

(From a Special Correspondent)

IN 'The Wrong Reasons' (February 24, 1973, p 424), Magnus has covered wide ground and — to borrow his own phrase — 'aired his misgivings' on the past, present and future of the coal industry. It is not possible for even the most ardent supporter of governmental action to deny that the take-over of the coking coal mines in October 1971 had made the rest of the coal industry fear that their days too were numbered. However, the incapacity and unwillingness of the private colliery owners to invest in expansion and modernisation of the collieries was not something of a recent phenomenon. A study of the history of capital formation in even the more well-organised private coal companies would show that, over the last decade, they had raised hardly a few crores of rupees either from their internal resources or by public subscription. Indeed, as long ago as in 1954-55, the Estimates Committee of the Lok Sabha had given the finding that there was "little fresh capital that flowed into the industry" and that there was very little progress towards modernisation. The fact that the private collieries had withheld provident fund dues, royalties, etc, of about Rs 30 crores — by no measure, a small

sum —, apart from not paying even the legitimate wages in accordance with the Wage Board recommendations, would suffice to indicate the sort of disease that had set in in this industry. To take the view, in the circumstances, that the Minister concerned had systematically undermined the industry's confidence in its own future in order to acquire a handle to take over the industry, would be to ignore the long ignominious history of the private coal industry.

True, the industry suffered for some time in the past owing to the unreliability of demand projections in respect of coal as well as the deficiency of demand. To an extent, demand estimates for a commodity such as coal are subject to infirmities resulting from the demand being a derived demand contingent on the expectations in the other sectors of development. Yet what should cause concern is not just inability to reach the targets but the real decline in production — particularly in the Bengal-Bihar area — and the absence of any long-term planning on the part of the private sector collieries. This is the inevitable result of a large number of small companies being engaged

party as, for example, are Narasimha Rao or Raghuramaiah; moreover, at least one of the opposition groups that Indira Gandhi has accused of foul conspiracy — the CPM — is more loyal to the cause of integration than are some of her seemingly devout followers.

Economic mismanagement apart, what perhaps most adversely affects a nation's external image is the credibility of its leaders. If, in 1971, India could command the grudging admiration of the international community, it was almost

entirely because of the poise and cool which the Prime Minister displayed in the face of crisis. Her recent pronouncements, in contrast, appear to be particularly lacking in a sense of proportion. On the messy affair of Maruti Limited, it is embarrassing to carry on the debate beyond a certain stage. Indira Gandhi claims herself to be a daughter of politics. Is it not the case that there is an opportunity cost involved in the choice of a responsible political career?

Is the Rajasthan Desert Spreading?

(From a Special Correspondent)

THE Secretary General of the United Nations while addressing the UN Committee on Natural Resources, which met in New Delhi last month, did not share the pessimistic conclusions about the future expressed in the 'Club of Rome-MIT' publication, "The Limits of Growth". However, he acknowledged the danger posed by the spread of deserts, which cover nearly 40 per cent of the land surface of the world. The spread of deserts has long been a subject of controversy among geographers, climatologists and other scientists. The hypothesis of increasing aridity, indicated by the long-term changes in the climatic data, has not yet been fully established. However, the diminishing carrying capacity of desert areas (in terms of sustaining human and animal populations) has been indicated in several parts of the world, including India.

In India, scientists at one time believed that the Rajasthan desert was marching towards UP and Delhi. Even the rate of the desert's march was claimed to have been precisely measured at half a mile every year. The preparation of a comprehensive scheme of massive shelter belts on our western desert border was one of the consequences of these findings. (The scheme was later implemented on an experimental basis on the Suratgarh Mechanised Farm.) A Desert Afforestation Station was established at Jodhpur which, with the help of the UNESCO, was later developed into the Central Arid Zone Research Institute (CAZRI).

The CAZRI's scientists revealed about three years back that the 'marching desert' theory was a myth. If this is indeed the case, it is not known how the myth was spread and why its exposure

was delayed so long. It is difficult to evaluate the CAZRI's findings in the absence of the necessary details. In any case, the supposed march of the desert in terms of movement of shifting sand dunes to long distances, which the CAZRI scientists have contradicted, is only one indicator, and a rather inadequate one, of the aggravation of the desert problem. The accentuation of desert conditions within the recognised coverage of the desert area is a much more serious problem. This phenomenon may be illustrated with the help of several studies, including those by the CAZRI, and a number of historical records. Depletion of soil, vegetation and water resources in the region through misuse of the delicate resource base of the desert has been quantified for a number of areas. Declining productivity of land, in terms of both crop and forage yields, is the ultimate and economically more relevant indicator of increasing scarcity of natural resources in the desert areas. Reversal of this trend is the real challenge to scientists and planners.

The spreading of plant cover over the denuded arid lands is accepted as the first step to help restore nature's ecological equilibrium. It is on this basis that the development of a pasture-based livestock economy in the Rajasthan desert region is advanced as a technically and economically sound proposition. In this context it is interesting to refer to the views of R A Bryson, who recently conducted a Wisconsin University research project on measurement of the effect of dust on the radiative cooling of air over the Rajputana desert. The thesis, which may be termed as the 'Dust Theory of Desertisation', is briefly as follows. The Rajputana desert, according to Bryson, is not a true climatic de-

sert, but a man-made desert. If all the moisture in the air over Jodhpur in the desert region were to be precipitated out, it would make a layer of water about four centimetres deep. In the truly climatic deserts of the world (like south-western United States) it would be about one-half to one centimetre deep. In the wettest places in the world (e.g. tropical areas like Congo, Brazil, Ceylon) the total precipitable water would be about 5 centimetres. The apparent paradox of low annual rainfall in Jodhpur in spite of having sufficiently large total precipitable water over the region is explained in terms of the heavy dust-laden atmosphere of the region. According to measurements taken in the spring of 1966, every square mile of the region had about five and a half tons of fine dust suspended above it. This amount of dust, according to Bryson, is greater than that over the smokiest, haziest, foggiest city on earth. This dust increases the sinking rate of the air by 50 per cent. As the air sinks, it moves to the level of higher pressure and gets compressed. When air is compressed, its capacity to hold moisture increases. But since no moisture is added, the relative humidity of the air decreases. In other words, the air becomes drier and drier.

If the air is cleared of the dust, it would lessen the turbidity of the air; the air would sink less and there would be more chances of showers. It is difficult to filter the dust out of air, but the same purpose would be served by stopping dust from getting into the air in the first place by putting land under grass and other plant cover.

Experience shows that raising plants in most parts of desert areas really does not need expensive and ceremonial *cana mahotsavas*. Nor does it need sophisticated silvicultural techniques and import of undependable exotic species. Native plants — perennial grasses, bushes and trees — grow on their own even in the driest parts of Jaisalmer and Barmer. This can be seen both in the CAZRI's experimental enclosures spread in many parts of the arid region and in farmers' fields in the Bisnoi villages where lopping and cutting of trees is prohibited. Thus what is required is protection and regulated use of native vegetation to permit it to perform its conservation function. It is to be hoped that these basic considerations will be borne in mind by the "drought proofing" schemes for desert areas which are being currently prepared and which are likely to be financed by the World Bank.

Through the Budgetary Glass

THE 1973-74 budgets of Punjab and Haryana, presented within a week of each other have some striking similarities. But they also highlight the contrasts between the financial positions of the two states. Both budgets make further attempts at resource mobilisation to cover part of the deficit, and both leave a substantial gap uncovered (Rs 11.60 crores in Punjab, Rs 10 crores in Haryana.) There are the usual expectations of larger Central assistance, of improved collections from existing levies, of further market borrowings, and of economy in expenditure. Both also have the cushion provided by 'underestimation'. The Plan and potential resources'. The Plan performance of both states has been commendable, the expenditure substantially exceeding original estimates. In the current year alone, Punjab has raised its Plan expenditure from Rs 96.25 crores to Rs 123.33 crores, without a matching grant from the Centre. Similarly, Haryana's total Fourth Plan outlay is expected to be Rs 330 crores, against the original estimates of Rs 225 crores. However, while Punjab has registered continued buoyancy in its revenue receipts, Haryana has lately been suffering from financial stringency. Punjab does not resort to overdrafts; Haryana has relied excessively on them till last year. Yet the most outstanding fact of all is that both states — which are among the richest in the country — have stopped growing. Their per capita income has remained static since 1969-70; the economic growth has barely met the needs of the increasing population.

Punjab's overall deficit has been estimated at Rs 37.21 crores, of which Rs 25.61 crores would be contributed by additional taxation, disposal of securities, loans from the banks and from the open market, and better yields from the traditional sources. The state, in fact, has the highest per capita tax in the country. The stress, therefore, is now on non-tax revenue. The new taxes, expected to yield barely Rs 4.61 crores, have been claimed to be so devised as to affect those with a greater capacity to pay. This may be true of the enhanced stamp duty on mortgage deeds (from 2.25 to 5 per cent) and on gifts (from 3 to 5 per cent), as also of the higher sales tax on foam and fur products, but the 'development cess' (at 50 per cent of the market fee on foodgrains) which is expected to yield Rs one crore will

affect all growers, regardless of status. Likely opposition from them has been shored up against by the announcement that proceeds from the cess would be earmarked for village and link roads; a material and early return on their contributions to the exchequer is thus assured.

The decision to continue the Bangla levies, yielding Rs two crores, under cover of an 'education cess' has employed the same rationale, though in this instance the contributors who comprise all categories of people will not all necessarily be direct beneficiaries. The non-tax measures include economy in non-Plan expenditure, which is often politically-motivated (Rs five crores); sale of government securities (Rs four crores); mobilisation of resources from the banks for implementing Plan schemes (Rs eight crores); and tighter control on tax collection (Rs two crores). With the proposed borrowings, the state's debt liability would mount from Rs 278.38 crores on April 1, 1972, to Rs 313.37 crores on March 31, 1973. Some minor humanitarian gestures have been made to pensioners, destitute widows, old men and women, and political sufferers. These concessions are fully warranted by the state's sound fiscal set-up.

The new taxes in Haryana are expected to net a slightly larger amount — Rs five crores, against Punjab's Rs 4.61 crores. The tax net has been spread wider, to improve the state's unsatisfactory finances since 1971, but the deficit is smaller (Rs 15 crores) in a Rs 304-crore budget. The impact of the tax package will be not only on the well-to-do but also on other sections — both rural and urban. The comprehensive and consolidated land levy, advance notice of which had been given by the Governor in his address to the Assembly on March 5, will raise the agriculturists' contribution to the public exchequer by Rs three crores. This implies a doubling of taxes on the farms. And Haryana is thus among the first states in the country to impose a higher tax burden on agricultural land. Another levy on the rural rich comes in the shape of a token tax of Rs 150 on each tractor. The additional levies on goods and passenger transport will affect all sections of people. The only relief to the taxpayer comes from the abolition of the Bangla levies; the Finance Minister made the disclosure at a press con-

ference, not in the budget speech.

While the Haryana budget indicates that the state is fast emerging from financial stringency, it also suggests that some of the tall claims about Haryana's growing prosperity are no longer tenable. It is now clear that, after increasing steadily at the rate of 9 per cent for four years, the per capita income, at constant prices, stood stationary at Rs 430 in 1969-70; it has not risen since then. Yet the Chief Minister has been frequently claiming spectacular economic progress, unique achievements and many 'firsts'. Some of the much-heralded canals — the 'pride of Haryana' — are without water, and hundreds of tubewells remain without power for long periods, rendering the massive investment largely infructuous. What is more, prospects of early relief are dim. There is scant provision in the Plan for irrigation and for thermal projects. In fact, there is a drastic cut in capital expenditure, from Rs 50.43 crores shown in the last budget to Rs 40.29 crores in the revised estimates and further to Rs 24.4 crores in the 1973-74 budget. True, the state's per capita income, recently claimed to be second only to Punjab's, increased from Rs 319 in 1965-66 to Rs 427 in 1969-70, and then rose (though by only 2 per cent) to nearly Rs 437, but in the following year it declined by Rs 2. The current year's assessments indicate that the position has worsened since. It is by sharp cuts — especially in road-building programmes (Rs 15 crores) and other Plan programmes (from Rs 85 crores to about Rs 58 crores) — that the state has been able to arrest the adverse trends. Near-bankruptcy had led it to rely on overdrafts amounting to Rs 30 crores last year. A warning from the Centre had precipitated economy by shedding of the frills. Even so, debt repayments will take away a large slice of the budget — not a heartening proposition for anyone looking to development. The budget proposals, moreover, reflect an increasing tendency to imitate Himachal's marked reliance on Central aid and loans.

Although the budget session of Himachal Pradesh will commence on March 21, the political battle between Chief Minister Y S Parmar and the dissidents has been revived already. Having failed to persuade the Centre to give him a free hand in reshuffling the ministry and dropping the two dissident ministers, Parmar has adopted another device to cause them discomfiture. On March 9 he reshuffled the ministerial portfolios without consulting the rival group. This was the third reshuffle of

portfolios in Himachal in a year; the first was effected when the Ministry was just a week old, and the second last September. Mahajan's election as the Pradesh Congress's new chief is also aimed at creating a rift among Parmar's opponents. Neither side has gained in strength during the last three months despite the many pulls. But the dissidents are in no mood to accept as final the AICC General Secretary's

KATHMANDU

Buffer Apprehensions

M R

INDIRA GANDHI's visit to Nepal early in February might be remembered in New Delhi for her *suo moto* clarification backtracking on her belated denunciation of the Vietnam war at the One Asia Assembly. But in Kathmandu, awaiting Chou En-lai's visit anytime, Indira Gandhi's sojourn is remembered for other things. It raised more questions than it answered. For instance, a joint communique had been planned but was not issued. This led to speculation that India and Nepal might shortly sign a treaty on the lines of the Indo-Soviet pact and that a breakthrough in this direction had been achieved as a result of Indira Gandhi's visit, undertaken almost as an afterthought after having cancelled it once in December last.

Indira Gandhi's vague and non-committal answers to questions about the proposed treaty left correspondents wondering if the treaty was the main subject discussed by the visiting Prime Minister. One of them even inferred that it was going to be a defence pact and his somewhat sensationalised report upset the Nepalese and caused apprehensions among the Chinese. Nevertheless, it is widely believed in Kathmandu that some progress has been made with the treaty India had proposed. The 1950 India-Nepal treaty is still alive, albeit technically, and it is possible that India would like to streamline it to bring into a pattern.

Such a treaty has far-reaching implications for Nepal, which had fancied itself a strategic buffer between India and China and thought it had a big role to play. India has similar treaties with Soviet Union and Bangladesh. If Nepal enters a similar treaty, it would be becoming part of a compact. The Chinese view is that Soviet Union is trying to realise the Brezhnev plan for collective security through individual pacts because it could not achieve it collecti-

categorical statement that the High Command did not contemplate any change in the state's leadership. The 'pilgrimages' to New Delhi have recently become very frequent, in the hope that the sustained pressure on the High Command may help remove Parmar from power. And permission is again being sought to move a no-confidence motion against him within the Congress legislature party.

vely. Nepal has to reckon with the Chinese reaction to such an arrangement with India. Pushing the treaty hard (if it has been mooted, that is), would prove counter-productive for India because Nepal would rather opt for a stance of equidistance between China and India. There are signs of a shift towards such equidistance.

In Kathmandu, one does not find the flood of the 'Red Book' and other Chinese literature anymore. The end of the Cultural Revolution does not wholly explain this disappearance. The fact that Peking felt compelled to start a Nepali broadcast service earlier this year, obviously to counter Indian and Bangladesh broadcasts which are listened to by the Nepalese, suggests a conscious effort to maintain the Chinese presence in the Himalayan Kingdom, amidst growing India-Nepal relations since August 1971 when the trade and transit agreement was signed after an unhappy deadlock.

Nepal no doubt stands to gain through such a balancing act. By tilting towards India, it would qualify for more aid from China as well as from India. A small country always has the balance of advantage in relation to two big countries. India is Nepal's biggest aid giver but it is far too conscious of its position as such and this irritates the Nepalese. The Indian Co-operation Mission in Kathmandu has a huge staff, but the benefits from the India-aided projects are diffused and rather intangible unlike, say, the Chinese-built roads which are most tangible. Chinese consumer goods, superior in quality to and lower priced than Indian-made goods, channelled through/state trading agency floods the market. The proceeds are used for Chinese-aided projects. The Chinese are making their presence felt in many ways, though they are in Nepal only as aid givers while Indians are there in many roles, as traders,

businessmen, teachers, experts, — and smugglers and exploiters. There are numerous irritants in India-Nepal relations. Indian traders and businessmen are behind the massive smuggling operations even after the 1971 trade and transit agreement.

Ironically, the world's only Hindu kingdom, ordained by geography to look to India for everything, has the friendliest of relations with Pakistan. The two Pakistani POWs who escaped into Nepal and were on the Kodari highway were detained by the Nepalese and repatriated to Pakistan and India had to protest about it. When the United States arms embargo on Pakistan was lifted, the government-controlled newspaper in Nepal welcomed the step. A few days later it became known that 200 Bihari Muslims who had escaped to Nepal are to be repatriated to Pakistan overflying Indian territory. The PLA still maintains an office in Kathmandu though there is no air service between Pakistan and Nepal. Bangkok is still the half-way house.

India-Nepal relations are far better now than they were, say, two years ago. But a treaty on the lines of the Indo-Soviet pact is sure to lead to serious misapprehensions in Nepal and in other countries. What Nepal is seeking for itself is a strategic role. Recently, it even made a futile bid to become a China-United States contact point. However, neither of the two powers perhaps saw any special plus points in favour of Kathmandu especially when Warsaw and the UN Headquarters provide better contact spots. Nepal also thought it could play a role in normalising Sino-Indian relations. Kathmandu no doubt provides the barometer to measure the warmth or lack of it in Sino-Indian state-level relations. But some observers have been tempted to link Indira Gandhi's Kathmandu visit with an impending initiative for better relations with China. Nepal can play only a very limited role in this direction because Cairo, Beirut and Warsaw are among the capitals where Sino-Indian contacts have been taking place for over two years now. Kathmandu is not the contact point even for Sino-Bangladesh relations. K M Kaiser, Pakistan's ambassador to China during the Bangladesh crisis, is now Bangladesh's ambassador in Rangoon. Rangoon, rather than Kathmandu might turn out to be the contact for some South-east Asian countries (including Thailand) with China.

What Nepal is seeking is a role as a buffer state and a formal treaty with India would compromise this buffer role. Imperviousness to this reality on India's part would only compound Nepal's apprehensions about its big neighbour.

ECONOMIC AND POLITICAL WEEKLY

GUINEA-BISSAU

End of a Revolutionary

Africanist

THE assassination of Amilcar Cabral, leader of the Partido Africano da Independencia da Guinee e Cabo Verde (PAIGC), may have been masterminded by Portuguese. But to understand the background to this assassination several factors have to be taken into account, including the contradictions within Sekou Toure's Guinea PAIGC and within the PAIGC itself. It was from Conakry in Guinea that Cabral launched the PAIGC and the struggle in Portuguese-occupied Guinea-Bissau with valuable support from Sekou Toure's government. It is well known that Toure was a close confidant of Cabral. Kwami Nkrumah also played an intimate role in the relationship between the PAIGC and Guinea. Thus, the Portuguese and other Western powers, like France, recognised that Guinea under Toure was the centre of resistance to Western domination of West Africa. The Portuguese and other powers had every reason to believe that if the moral and material support that the PAIGC was receiving from Guinea were stopped, the PAIGC's position in Guinea-Bissau would be considerably weakened. Towards this end the Portuguese instigated an insurrection-cum-invasion of Guinea in 1971 which was easily crushed by Toure's forces.

TOURE FALTERS

In retrospect, however, the Portuguese-inspired attempt at overthrowing Toure was unnecessary, as he was already beginning to falter in the face of US inroads. US monopoly investment was already moving into Guinea, primarily for the purpose of 'assisting' Guinea to exploit its vast bauxite resources and processing them into aluminium. Between 1960 and 1967, Toure remained wary of Western economic overtures, although even then he did accept US-AID grants and loans for importing badly needed food and other commodities.

But it was in 1968 that Toure signed the first big agreement with Western investors. The United States and the World Bank loaned Guinea \$85.5 million for the development of its bauxite deposits. This loan followed from an agreement between HALCO — a consortium of seven leading US companies

— and USAID, the World Bank and Guinea. The total investment for the entire venture of exploiting the bauxite deposits at Boke amounted to \$190 million providing \$85 million (all of it borrowed from the US and the World Bank).

Though Toure was actually conscious of the totally neo-colonial nature of the regimes of Houphouet-Boigny in the Ivory Coast and Leopold Senghor in Senegal, his own regime was beginning to be influenced by massive injections of international finance capital. In 1969 Houphouet-Boigny was said to have been involved in a plot to assassinate Toure, but in 1972 he paid a surprise visit to Guinea and was welcomed by Toure with the declaration that "from now on, only unity, fraternity, sincerity and solidarity" would exist between their two countries. And in the same year, Toure re-established relations with Senegal. What all this amounts to is that Guinea is fast becoming a state that can hardly be distinguished from its neo-colonial neighbours. But Toure's constant cry remains that he is building African socialism (whatever that is) through using imperialist finance — an incompatible proposition, almost as good or bad as attempting modern surgery with the help of a voodoo witchdoctor!

Due to the contradictory policies that Toure has been following, Guinea has become a hotbed of subversion and intrigue. Since the PAIGC has been working in such close collaboration with Guinea, it would be surprising if schisms had not also developed within the PAIGC.

Initially, the contradictions within the PAIGC were muted, since its single-minded aim was to gain independence from the Portuguese oppressor. But its ideology, as expressed by Cabral, was always confused. For instance, Cabral denied that the peasantry in Guinea-Bissau was "... in any way the primary revolutionary element". Yet, at the same time, the peasantry was organised by him and his party as the primary base of the revolutionary movement in Guinea-Bissau.

During the decade from 1960 to 1970 the Party was a unified fighting machine with Cabral at the helm. To quote Cabral himself: "I want to emphasise that the leadership of the strug-

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gle is the leadership of the Party. Inside the Political Bureau there is a War Council over which I preside as Secretary-General of the Party. There is no important military action in our land that does not pass through my hands. When there were fronts, sectors, and units, they had autonomy for normal, daily actions within certain bounds, but from then on any extensive modification, any new action, passed and still passes through the hands of the War Council and, specifically, through my hands".

This was as it should be and there could be no criticism levelled at Cabral's concentrating so much power in his hands — as long as the Party was assured that Cabral was proceeding in the right direction. But the crux of the matter was that the PAIGC had to be sure that Cabral was on the correct path, as any doubts would serve to weaken the unity and solidarity of the Party.

INCORRECT LINES

By 1971 it became apparent that Cabral was indeed proceeding along distinctly incorrect lines. The incorrectness of Cabral's stand became clear when he, firstly, wanted the liberated zones of Guinea-Bissau to be declared as an independent area, and secondly, when he wanted to negotiate a peace with Portugal.

Cabral's plans to declare the liberated areas as an independent Guinea-Bissau were formulated as early as 1970 when the PAIGC decided to hold elections for the First Popular National Assembly. In 1970, each administrative sector had elected members to the councils of the 15 large administrative regions. By 1972, the electoral registers of each sector were completed and direct and secret elections were held at the village level. What remained to be formed was the National Assembly. The 15 regional councils were to select one-third of their members to sit in the National Assembly. This one-third of the regional councils would constitute two-thirds of the Assembly — the other one-third were to be nominated from among PAIGC's full-time workers. The National Assembly that would come into existence would adopt a constitution and proclaim independence.

This proclamation of independence would exclude the Cape Verde islands since the PAIGC had not managed to penetrate them. The capital city of Bissau would also be excluded from the independence scheme. Cabral himself made this clear when he stated that

(Continued on Page 631)

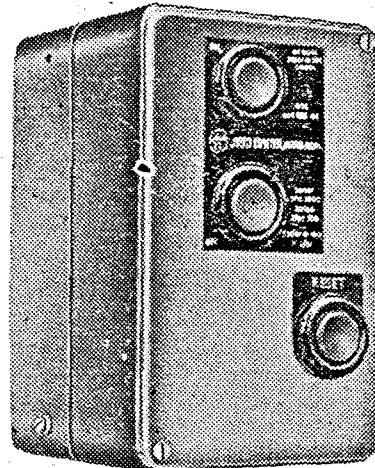
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REVIEW OF

AGRICULTURE

March 1973

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Review of Agriculture is published four times a year, on the last Saturday of March, June, September and December.

Manuscripts intended for publication should reach the Editor at least six weeks ahead of the date of publication.

Take-Over without Tears?

RECENT Ministerial pronouncements on food policy give further confirmation of how limited a role government seeks to play in the whole business of feeding the population, the so-called 'take-over' of wholesale trade in foodgrains notwithstanding. Thanks to the unloading of foodgrains from public stocks to private traders and the failure to achieve even one-half of the kharif procurement target, the government's stocks reduced to 2.7 mn tonnes at the beginning of this month. These are proposed to be replenished by procurement of 7-8 mn tonnes from the rabi crop. Since the wheat crop is currently estimated at nearly 30 mn tonnes, the projected order of procurement may be achieved. Last year, when the wheat crop was 26 mn tonnes, procurement had been 6 mn tonnes. This year, with the so-called take-over of wholesale trade, an additional couple of million tonnes for the public stocks are the least that should be expected.

But will stocks of this order be enough for feeding the population? The government evidently thinks so. It actually expects to have a 'buffer stock' at the beginning of July. But even with what the Minister has himself described as an 'inequitable and deficient' distribution system, about 9 lakh tonnes per month are on an average demanded from the public distribution system. Drawals from the public stocks have increased to over twice as much in recent months. Clearly, the government's idea of having enough stocks to feed the population is simply to have just enough to keep the wholly inadequate public distribution system from total collapse.

More cynical perhaps than its assessment of what is adequate foodgrains production, procurement, or stock, is the government's tendency in recent months to project an anthropomorphic view of the public distribution system. The Ministers concerned have dubbed this system defective time and again and have held it responsible for everything ranging from the "price rise of foodgrains" to the "widespread distress" in certain regions. Yet, apart from asking the states to increase the number of fair price shops and allowing the Food Corporation to foolishly unload its stocks to traders in the open market with a view to bringing down prices, what has been done to strengthen the system? A clue about how the government views its own role in food distribution is to be had from the decision to club Delhi with Haryana when, from April 1, individual states are to become separate wheat zones to facilitate procurement. In other words, the government will largely rely on private trade to meet the food-grain requirements of the capital city. Similarly, both the government and the Congress Working Committee have been at pains to underscore that the take-over of wholesale trade did not imply statutory rationing, even in the bigger cities. What sense does State monopoly of wholesale trade make without adequate controlled sales outlets? True, the number of fair price shops have increased from 1.22 lakhs in 1970 to 1.66 lakhs in 1973, but their spread among the various states is very uneven and a large number of them are operated by private traders who can at will divert the stocks from public to private account.

What frightens the government about statutory rationing is, of course, the fact that it makes explicit the real demand for foodgrains and with it the actual gap in supplies. The obfuscations of the 'take-over' of wholesale trade — monopoly procurement of marketed (not marketable) surplus, delicensing of wholesale traders but permitting sales by licensed retailers and growers, allowing an open market with prices stipulated at around 'fair prices' — make sense in this context. The marketed surplus so rounded up will be about the same as what finds its way into government stocks after a good rabi crop; the responsibility for anything more than this is, in political and administrative terms, too much for the government. Even so, the attempt to create alibis to explain away possible failures has already begun. The government has been hinting at the threat of a possible 'sabotage from within' by the bureaucracy. Grain traders of course know better, despite the public breast-beating of last week's *hartal*. Thus while wheat prices are said to be declining in the wheat *mandis* of the North they have been maintained or are even rising, in the retail markets.

A Charter for the Land

B B Vohra

The habit of considering land as incidental to narrowly conceived departmental schemes instead of as a single indivisible resource which needs attention in its own right lies at the back of many of our troubles and must be rooted out. Today, the irrigation engineer looks at land as something either to water or to drain (but rarely both), the agricultural soil conservation engineer as something to terrace and bund, the forester as something to grow trees on, and the planner as something which can create large-scale employment opportunities — whether for the skilled or the unskilled, whether for landless or the small farmer, whether in wet or dry conditions and whether on a crash or a continuing basis.

We thus have a multiplicity of agencies each of which is necessarily interested only in implementing its own schemes without reference to the others and none of which can see the picture as a whole. This is a situation which can be corrected only by creating organisations that can take a synoptic and a sympathetic view of the needs of the land so that these may be catered to in a direct, deliberate and efficient manner.

The management of land and soil resources is indissolubly linked with the management of water resources and cannot therefore be attempted without subjecting the latter to some discipline. It is because such discipline has been absent in the past that so little attention has been paid by our irrigation projects to the problems of sedimentation, water-logging and proper water utilisation. It will be necessary to ensure in the future that while on the one hand no new projects are taken up which do not give enough attention to these aspects, energetic steps are also taken on the other hand to remedy such deficiencies in the case of existing and on-going projects. Such a policy will not result in any shrinkage of employment opportunities for engineers, as feared by some, but rather in their expansion.

A sound land policy will therefore automatically lead to a sound water policy which lays more emphasis on the development of ground water resources and insists on much more care with regard to surface water schemes. There is little doubt that such a policy will bring about a close working relationship at various levels between the proposed land authorities and the organisations which deal with the development of water resources, both ground and surface. In the fullness of time, the remorseless logic of circumstances will complete this process by demanding the creation of a Department of Land and Water in the Ministry of Agriculture at the Centre and of similar arrangements in the states. In due course, responsibility for various other neglected aspects of the ecological environment will also inevitably get drawn to such departments. Let us, however, take only one small step at a time.

I

The Setting

IT is passing strange that 25 years after Independence we should still be without a policy for the management of our land and soil resources, let alone the organisations needed to give effect to it. Yet the soil constitutes the very basis of all agricultural, animal and forestry production and is without doubt the most important natural resource that we possess.

The neglect of the soil has led in the past to the disappearance of once-flourishing civilisations. In our own country extensive soil erosion and water-logging, together with their attendant ills, have already contributed very significantly, though insidiously, to the impoverishment of the land and its people. However, there is as yet little awareness of the existence and seriousness of these threats and consequently, little sense of urgency to meet them. This explains why even at the national level there is as yet not even a broad perspective plan for the

care of the land, no exact information regarding the extent and location of lands which require protective and ameliorative treatment and no agency charged specifically with responsibility for the assessment and management of our irreplaceable resources of land and soil. Things at the state level are no better.

It is not as if nothing whatsoever is being done in this field. But whatever little is being done is being done in a fragmentary, piecemeal and inefficient manner and without the sense of direction and priorities which can emerge only from a comprehensive view of the total situation. Thus, soil surveys are being carried out in limited areas by various states and agencies but on a scale which is entirely insignificant and in a manner which is not related to any overall framework of reference and action at the national level. As far as management aspects are concerned, our biggest activity consists of "soil conservation" programmes on which we have spent around Rs 300 crores since the begin-

ning of the planning era 20 years ago and on which great hopes are being pinned in the context of our need to create massive rural employment opportunities of a productive nature. However, the bulk of this programme as we shall presently see, is being implemented in a financially wasteful, technically defective and administratively unco-ordinated manner by two different agencies — the State Forest and Agriculture Departments — which are, so to say, not even on speaking terms with each other. The only other sizeable programme which has been undertaken and on which also about Rs 300 crores have been spent so far relates to the construction by State Irrigation Departments of spurs, embankments and other engineering works in the lower reaches of certain rivers as a protection against floods. However, this programme suffers from the very serious drawback that it is being executed without any recognition of the fact that it can at best offer only temporary relief and that a long-term solution to floods must be found in

reduction of the sediment carried by rivers, which can be achieved only by effective soil conservation measures in their upper reaches.

Many other examples can be given of the near-chaotic state of affairs which exists today in the field of land and soil management. Thus, very large areas of good agricultural lands have gone out of use on account of water-logging and salinisation brought about mainly by seepage from unlined canals and distributaries. State Irrigation Departments, however, feel little or no responsibility for this state of affairs. Even the threat which sedimentation, caused by soil erosion in the catchments of reservoirs, poses to the life of our projects, does not bother Irrigation Departments unduly — it is the responsibility of the State Forest and Agriculture Departments to meet this threat as best as they can, although they have no direct interest in doing so. Again, construction engineers in their anxiety to reduce the cost of their projects, fail to provide adequate cross-drainage works while laying out roadways, railways and canals, with the result that much avoidable flooding and water-logging of good agricultural lands occurs. But till today there is no way of ensuring that such outrages on the land do not take place.

It is clear that such a confused state of affairs — in which responsibility for the welfare of the land cannot be pinpointed on any specific agency of the Government and this most basic of resources has no known custodian of its interests — cannot be allowed to persist. The continued degradation of our land and soil resources must — if we are at all serious about 'Garibi Hatao' — not only be arrested but also reversed with all the energy that we can bring to bear on this task. There is absolutely no room for complacency in this matter. For though the Green Revolution has helped us to achieve a measure of self-sufficiency in foodgrains, we are still seriously short — even at our present pitifully low levels of nutrition and consumption — of oilseeds, pulses, animal proteins, natural fibres, timber, fuel wood and a host of other commodities which owe their origin to the soil. These gaps will widen with increases in population and with rising expectations of a better life. Our only hope of bridging these gaps at some future point of time and of achieving for our citizens a standard of living which will no longer be among the lowest even

among the "developing" countries in the world, lies in ensuring that the soil is kept in good health, that wherever necessary it is restored to good health and that each piece of land is managed in such a manner that it yields the best that it is capable of, whether this be in the form of crops or trees or grasses.

However, all this is easier said than done. The task ahead is going to be exceedingly difficult, not only because of its sheer size, but also because of its extreme complexity. Yet the challenge must be accepted. Before we consider what would be the best way of meeting it, it would be necessary to examine, in some detail, the major problems which cry for solution.

II

Problems of Land and Soil Management

EDUCATION AND INVOLVEMENT OF THE PEOPLE

The foremost problem and, in many ways, the most intractable of all is the education of the people in matters relating to the soil so that they may become convinced that it is something which it is in their own interests — and of the interests of their children and of their children's children — to care for. Once the barriers of ignorance on this subject are struck down, unconcern for the land will automatically disappear. But so long as these barriers remain, nothing else will avail very much. For the care of the land is not something which can be achieved like the construction of a dam or a bridge — in a one-shot operation but requires the intelligent involvement and willing co-operation, on a continuing basis, of large sections of the population.

An effective public relations campaign aimed at the creation of a general awareness of our need for the soil and in turn, of the needs of the soil, is therefore an obvious necessity. However, side by side with such a campaign must also be undertaken specialised programmes for the edification and orientation of those classes of the population which occupy positions of particular importance in this field. One such class consists of the children and the young people who are the custodians of the country's future and who must, under no circumstances, be allowed to grow up in ignorance of the land and its problems such as the present generation suffers from and which more than anything else is responsible

for the current neglect of the soil.

However, the section of the population which will need the greatest attention consists of those farmers and graziers of marginal lands whose activities contribute the most towards the erosion of the soil and who are therefore the most likely to be affected by programmes of protection and amelioration. For it is the improvident cultivation of lands which were not designed by nature for agriculture at all, the over-grazing of pastures and the over-felling of trees which renders the land defenceless against the fury of wind and rain and causes the dislodgement of the fertile top soil. So long as these activities are not effectively curbed, expenditure on soil conservation works is obviously a waste of time as well as of money. But in the last analysis, these activities cannot be curbed unless the people concerned are taught better ways of earning their living and are convinced that the conservation of the fertile top soil is in their own long-term interests. Mere controls and regulatory measures will not do.

Public co-operation in the protection of forest lands and other Government or community-owned lands is particularly important because nobody has a personal stake in caring for such lands. Experience has shown that afforestation and soil conservation works carried out at great expense on such lands have failed to produce any worthwhile results because it has not been possible to ensure their protection against continued depredations by local populations. Fences and guards have failed in their purpose because fences can always be got past and guards can be almost always bribed or bullied. Expenditure on fences and guards is in any case a luxury which we cannot afford if work has to be taken up on any significant scale. Fences and guards also create another problem — they generate in the authorities a psychology of distrust of the people and a contempt for their understanding which is likely to be reciprocated and makes it impossible for mutual trust and confidence to be established between the authorities and the people.

It is time to realise that the present system has been tried out over a long enough period, that has failed to deliver the goods and that it therefore needs to be replaced by an altogether different approach. This approach will lie in a sympathetic understanding of the ignorance and genuine difficulties

of the local people and in the inculcation of the faith on the part of conservation staff that the people can be made to co-operate with the authorities once they are convinced that restrictions on their present activities are ultimately to their own advantage. Experiments show that lands which are closed to indiscriminate grazing and allowed to develop a good cover of grass can thereafter support many times the number of cattle as in their denuded condition. Similarly trees, if allowed to grow to maturity, can be harvested with much greater profit than if they are cut down before they have had a chance to reach their optimum height and size. All these things must be patiently explained to the people and demonstrations must also be laid out to let them see for themselves that measures aimed at the conservation of the soil are worth the effort as well as the temporary inconvenience involved.

This will however require a complete departure from the traditional attitudes from which the average forester suffers. Instead of looking upon himself as the custodian of forest resources against the depredations of an incurably hostile populace, he must learn to trust them and to convert them to a conservationist approach to the land. Once the grazier and the farmer realise that protection will yield desirable results, they will not be slow to respond and to extend their willing co-operation to the authorities. Some fencing will perhaps still be necessary to keep cattle out, but guards should ultimately not be needed — there will come a time when the people will look after plantations and closures in their own interests.

RESOURCE ASSESSMENT

The second major problem in the field of land and soil management concerns our present lack of knowledge about these resources. Not only has no proper nationwide survey been carried out so far to obtain an accurate idea of our soil resources and to locate and identify the areas which need priority attention because they are afflicted with erosion, floods, water-logging or salinity but such a survey has not been even planned as yet. A strong Central Soil Survey Organisation charged with the responsibility of carrying out such a survey on a time-bound basis is clearly a matter of the highest priority. A significant step towards the creation of such an organisation has been taken very recently

by the decision to re-unify the infant soil survey organisation in the Union Department of Agriculture which was bifurcated some years ago. Further steps will include the incorporation into this unified organisation of the small soil survey groups which exist in the Central Water and Power Commission and the Department of Rehabilitation and its expansion thereafter in accordance with the tasks placed before it.

The major tasks of the Central Soil Survey Organisation — besides, of course, carrying out a basic soil survey of the country within a period of not more than ten years or so — will be to promote the creation of adequate soil survey organisations in each of the states. State Soil Survey Organisations will be expected to carry out the detailed surveys which are required to be executed in support of ameliorative and development programmes of various kinds and which will also ultimately be needed to serve as the basis of a scientific land use policy.

The Central Organisation will also have to ensure that the State Soil Survey Organisations follow a unified methodology and a standard system of classification and terminology, both of which are conspicuous by their absence today. The apex body will also provide technical leadership in the field of aerial photo-interpretation and other remote sensing techniques which can save the country a great deal of money as well as time and which must, on account of their high cost, be used in a co-operative manner by the Central and State Organisations.

The relevance of detailed soil surveys to all programmes of land management needs to be explained. Approximately 50 per cent of our total land surface is today suffering from either erosion or water-logging and will sooner or later require appropriate treatment to restore the soil to health. Now, the determination of appropriate engineering treatments for eroded soils and of correct drainage designs for water-logged soils requires information such as the nature and depth of the soil, its slope and its permeability and erodability characteristics. In the absence of such information, which can be provided only by detailed soil surveys, the adoption of correct specifications is obviously not possible. In fact, what is happening today and is resulting in a great deal of infructuous expenditure, is the adoption of over-cautious specifications based on a rule-of-thumb approach.

Detailed soil surveys are also required to be carried out in areas where irrigation facilities are available and their optimum utilisation is desired. For it is the amount of water which the soil can hold that determines the quantity of water that needs to be applied to it for meeting crop requirements, as well as the frequency and the manner of irrigation and the drainage requirements of the land.

However even the remaining areas of the country, i.e. those which neither require ameliorative treatment nor are cut out for intensive agricultural development, will also sooner or later have to be covered by detailed soil surveys. This is so because it is necessary to have an exact knowledge of the productive capacity of all parts of the country if we are to achieve our ultimate objective of scientific land use planning. It is in fact the almost complete absence today of the concept that land is best used only for the purpose for which it is fitted by virtue of its soil and available water resources that has given rise to popular misconceptions about the availability of land for agriculture. Thus, the well-intentioned suggestions which are made every now and then that "forest lands" and "waste lands" should be distributed among the landless in the interests of increased production, are based on a crass ignorance of the basic fact that most such lands cannot be easily put to agricultural use. Most forest lands are so vulnerable to erosion once their natural cover is destroyed and the soil is opened up for cultivation that they would soon turn into waste lands. As for waste lands they deserve protection by their very definition and have probably become what they are today only because they have been over-exploited in the past. The possibility of reclaiming waste lands for agricultural purposes is therefore an illusion in almost all cases except where degradation has been caused by water-logging and salinisation of the soil and is capable of being reversed by drainage and other treatment. In the case of eroded lands — whether the erosion has been caused by wind or water — the best use to which the land can be immediately put is not agriculture but the growing of pastures and trees. Large areas all over the country in fact need to be rescued from improvident agriculture and over-grazing and diverted to forestry and controlled grazing — but not the other way round.

It has been estimated that a reconnaissance type survey for the whole country can be completed in about 10 years and at a cost of around Rs 20 crores. Detailed surveys will cost many times this amount but will obviously have to be phased out over a much longer period of time in accordance with the needs of actual ameliorative and development programmes.

EROSION BY WATER

Although, in the absence of complete information about our soil resources, exact figures are not available, it is estimated that erosion by water has affected around 90 million ha out of a total geographical area of around 320 million ha. Erosion by water constitutes the most serious menace to the land resources of the country not only because it denudes the soil directly but also because it leads to the siltation of reservoirs and tanks, to the occurrence of floods and to the loss to the sea of a great deal of sweet water.

The genesis of erosion lies in the destruction of the natural vegetative cover of the soil by over-felling and over-grazing. Once this cover has disappeared, the fertile top soil — an inch of which it takes nature 500 to 1,000 years to build — gets dislodged and carried away by fast flowing waters which then act as agents of erosion in their own right in areas which they pass through. It has been estimated that the total annual loss of soil nutrients which takes place in this manner is of the order of 5.37 million tons of NPK and of the value of around Rs 700 crores. The amount of soil displaced is of the order of 60,000 million tons, a part of which finds its way into the sea but a good deal of which finds a new habitat for itself in irrigation tanks, reservoirs and river beds. Evidence of the damage caused by water erosion is offered by the bare hillsides and slopes which one comes across in all parts of the country and by the deep ravines of the type made famous by the Chambal dacoits. However, the damage caused by erosion is also reflected, though in a less perceptible manner, by the steadily decreasing productivity of the affected areas.

The premature siltation of tanks and reservoirs is a particularly alarming consequence of water erosion. Observations show that the average rate of sedimentation in reservoirs is at least four times as high as the rate which was assumed at the time they were

designed and built — the life of these projects will therefore be reduced correspondingly. However, in many cases there are no alternative sites for reservoirs once these have been rendered useless. This means that even if we have the money to build fresh projects — and this is by no means certain — we shall not have the physical opportunities for doing so. The hydro-electric and flood control capability of multipurpose projects is also affected by sedimentation in the same way as their irrigation capacity.

While sedimentation naturally takes time to show up in the case of big projects it affects small tanks much more dramatically. In fact the rate at which the new irrigation potential is being created by minor surface irrigation schemes at a cost of around Rs 50 crores annually is today almost off-set by the rate at which existing capacity is being lost by siltation. Considering that minor surface irrigation schemes account for nearly 30 per cent of our total irrigation potential, the time seems to have come when we should seriously consider the diversion of available funds for such schemes to soil conservation works in the catchments of existing tanks which are about 5 lakhs in number. Such a consideration will also ultimately have to prevail in the case of major and medium projects.

Seasonal floods — which during the last four years are estimated to have caused an annual loss of over Rs 300 crores by way of damage to crops, animals, habitations and public works — are also in large part caused by the sediment which gets deposited in river beds. As river beds rise, the carrying capacity of the channels is reduced and water over-spills its banks in times of peak flows. A permanent solution to the menace of floods therefore does not lie in the construction of embankments and spurs along the lower reaches of rivers, as is commonly assumed in engineering circles, but in the control of soil erosion in their upper reaches. Embankments are at best palliatives and experience has shown that, to be effective, they have to be raised year after year to keep pace with the constant rise in the level of river beds.

Finally, the conservation of the soil is also necessary for the conservation of a great deal of water which otherwise goes waste. Since denuded surfaces offer little resistance to the flow of rain water, it gets so much less time to percolate into the soil and

thereafter into ground water aquifers. This is why the denudation of the slopes is always accompanied by a lowering of water tables in the valleys below and in the drying up of natural springs and artesian wells. Since groundwater is one of our most important natural resources and constitutes our best defence against droughts, its maximum replenishment through programmes of soil conservation deserves to be made one of the cornerstones of any national water policy.

A programme for controlling water erosion on all the 90 million odd ha which have been affected by it would not cost less than Rs 5,400 crores even if we assume an average cost of no more than Rs 600 per ha to carry out the necessary protective, vegetative and engineering measures. Such a programme will naturally have to be phased out over several plan periods and carried out in accordance with carefully thought-out priorities. The protection of multipurpose projects and irrigation tanks would naturally deserve high priority; so would the treatment of eroded areas which contribute significantly to the occurrence of floods. In arid and drought-prone areas the conservation of the soil and, along with it, of whatever precipitation that these areas enjoy must obviously form the hard core of any "dry farming" and other development plans that may be drawn up for them.

Large sums of money are likely to become available for all these purposes in the Fifth Plan. The constraints in the way of effectively carrying out a vastly expanded programme for the control of water erosion will however lie mainly in the organisational field. Past experience shows that very little has been achieved by the investment of Rs 300 odd crores which has been made in this sector during the last 20 years. This unpleasant fact must be identified so that remedial steps may be taken in the future. These reasons are briefly as follows:

First, as has been noted already, there has been little effective protection and maintenance of forestry and engineering works carried out on public lands. There has also been very little maintenance of engineering works such as contour bunds carried out on private agricultural lands. Second, although a great deal of lip service has been paid to the ideal of the complete small water-shed as a unit for the planning and execution of soil conservation measures, it has not

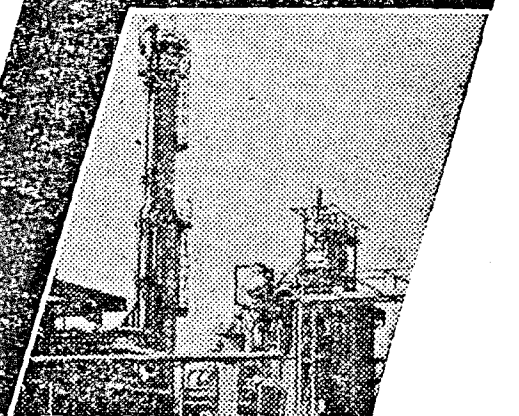
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been translated into actual practice almost anywhere. The two departments which are mainly concerned with soil conservation work — Forest Departments in public lands and Agriculture Departments in private lands — have, in almost no state, cared to co-ordinate their activities with the result that a great deal of the work done by either department has proved to be infructuous. In future, plans for each small water-shed must be drawn up by a single authority and executed in an integrated manner by each of the Departments so that the highest reaches are treated first and the lowest reaches are treated last regardless of whether the lands are public or private. *Third*, a great deal of engineering work has been done in the absence of adequate data with regard to soil characteristics as well as of local hydrological and sedimentation conditions and has therefore been technically below standard and financially wasteful. *Fourth*, "contour bunds" on agricultural lands have not followed the contour lines strictly wherever these have cut across ownership boundaries. The redrawing of ownership boundaries requires the involvement and co-operation of the land owners as well as of the revenue authorities but this has not been attempted anywhere. *Fifth*, states have shown insufficient interest in the implementation of soil conservation programmes aimed at the reduction of sedimentation in reservoirs situated outside their boundaries even though money for this purpose has been made available to them under a Centrally-sponsored scheme.

Suggestions aimed at the enlistment of public co-operation for the protection of soil conservation works have been made already. The need for improving our soil survey arrangements has also been dealt with above. Suggestions for the creation of new organisational arrangements which will cut across departmental and territorial boundaries and ensure that complete water-sheds are observed as units for planning and execution, will be made in a later portion of this paper.

EROSION BY WIND

The erosion of the soil by wind affects approximately 50 million ha of land in the country, the greater part of which is situated in the Rajasthan desert. As in the case of water erosion, wind erosion too is triggered off in the first instance by the destruction of the natural vegetative cover of the land by over-felling and over-grazing.

Once the top soil is laid bare to the fury of strong winds in conditions of aridity, it gets blown off in the form of dust storms and sand storms. In the process not only does the land get denuded but great damage is caused — through the formation of dunes and the smothering of vegetation — to the areas where the dust and sand settle down.

The control of wind erosion lies primarily in curbing indiscriminate grazing by nomadic herds — so that natural vegetation may get a chance to re-assert itself — and in the creation of wind breaks and shelter belts which reduce the velocity of strong winds and thereby their erosive and desiccating effects. Experiments in Rajasthan have shown that excellent pastures can be developed in closed areas with native as well as exotic grasses and that, under conditions of controlled grazing, these pastures can support as many as four times the number of animals which can otherwise be carried by the same land. The planting of wind breaks and shelter belts — under protected conditions, of course — not only helps to develop such pastures but also to provide timber and fuel in an area which is practically treeless today. These are also the methods by which sand-dunes — which occupy nearly half the total area of the Rajasthan desert — can be stabilised and prevented from contributing to the leeward "creep" of the desert.

It is visualised that the "reclamation" of the desert by such methods would, by enabling it to carry a much larger number of animals, than at present, ultimately make it unattractive and uneconomical for any portion of it to be used for agriculture. This would be a most welcome development indeed because cultivation involves the disturbance of the top soil, which is not at all good for the health of the land in desert conditions. If better land management could, through richer pastures, support a high level of animal husbandry in these areas the farmers would find it more economical to obtain their requirements of food-grains and cereals from other areas which are better equipped by nature to grow them. A deliberate policy of diverting land from agriculture to animal husbandry based on rotational grazing of pastures by improved strains of sheep, goat and cattle therefore needs to be followed in the desert areas in the interests of the soil as well as of the people. Fodder banks

based on the harvesting of grasses would also need to be set up to guard against occasional droughts. Since drinking water for animals and humans can now be made available in many parts of the desert by tapping ground water resources, we should be able, at some future time, to put an end to the migrations of cattle which take place every now and then from these areas and result in the loss of so much animal wealth.

The control of wind erosion also carries with it the hope of ending the aridity of the desert and therefore of finding a permanent solution to its problems. Studies indicate that one of the possible reasons why moisture-laden clouds pass over western Rajasthan without precipitating their burden on it is the fine dust suspended in the air over the desert — dust which is the direct result of wind erosion.

The menace of wind erosion is however not confined only to the desert but also, though to a much smaller extent, affects the rich alluvial plains of the Indogangetic valley. The common practice of ploughing up the land after the winter crop and leaving it exposed to the sun and wind during the hottest and the most arid part of the year is no doubt good for ridding the land of weeds but it also results in the displacement of a good deal of the fine top soil under the action of strong winds which encounter no physical barrier over vast distances. Good land management in these areas would involve the protection of the soil against wind erosion — among other things by trees grown along field boundaries and wind breaks and shelter belts planted on public and community lands. Such plantations would incidentally also add to local fuel and timber resources and permit cow dung to be applied to the land instead of being used as fuel.

Very little effective work has been done so far in combating wind erosion, mainly because of our inability to deal with nomadic herds and to give adequate protection to plantations. It is estimated that a programme for the control of wind erosion over about 50 million ha would cost around Rs 3,000 crores even if we assume an average cost of no more than Rs 600 per ha to carry out the necessary afforestation, grassing and protective measures. Here again, money is not likely to be a real constraint. The main difficulty will lie in ensuring protection for areas which

are sought to be reclaimed and in enlisting the support of local populations for programmes of rotational and controlled grazing.

EROSION BY THE SEA

Sea erosion is a problem which affects many parts of our long coast-line but has so far drawn attention to itself only in the densely populated areas of Kerala, where the loss of land is of the order of 2 to 5 meters per annum. An expenditure of nearly Rs 10 crores has been incurred so far on combating sea erosion along parts of the Kerala coast line and it has been estimated that another Rs 40 crores will be required for the protection of the entire coast line in the state. However coastal areas in many parts of the country will also need protection against erosion by the sea as the pressure of the population on the land increases. It would be desirable to institute special studies for this neglected problem so that preventive action may be taken in time.

FLOODS

It has been estimated that about 20 million ha of good agricultural lands are subject to seasonal floods — the average area inundated annually being about 7 million ha. It is true that, in the short run, protection against floods in the lower reaches of rivers can be provided only by engineering works such as embankments and spurs. A total expenditure of about Rs 300 crores has been incurred on such works so far and what is described as "reasonable protection" has been afforded to 6 million ha of land — at an average cost of Rs 500 per ha. However the cost of providing such protection is rising year by year because increasing amounts of money have to be spent on maintaining existing embankments and on raising their level to keep pace with the rise in the level of river beds on account of sedimentation. The cost of giving protection to new areas during the Fourth Plan has risen to around Rs 1,500 per ha. At this rate the 14 million odd ha which still need to be provided "reasonable protection" by engineering works would require an outlay of around Rs 2,000 crores at current prices. While an expenditure of this order appears to be unavoidable on short-term considerations, it must be kept in mind that it would prove to be infructuous in the long run unless adequate attention is paid without delay to the control of ero-

sion in the upper reaches of rivers. In this context, the so-called Flood Control Commissions which have been set up in certain basins with memberships composed wholly of "Irrigation Engineers" make little sense indeed.

WATER-LOGGING AND SALINITY

Water-logging and the salinisation of the land which often accompanies it, occur when the sub-soil water table invades the root zone of the soil and comes up to within 5 feet of the surface. As a result, the soil — which needs adequate aeration for its health — begins to lose its fertility and ultimately becomes totally unproductive. It has been estimated that approximately 12 million ha have been affected by water-logging and salinity so far. About 50 per cent of this area is situated in coastal regions and is subject to periodical inundations by sea water. The remaining 6 million odd ha are situated inland and represent a more serious loss as they were productive till, so to say, the other day and owe their present position to purely man-made circumstances.

Although interference with natural drainage gives rise to local situations of water-logging, the major cause of water-logging in inland areas is the seepage which occurs from unlined canals and distributaries in flat lands which have not been provided with adequate drainage facilities. It is this seepage which explains why the bulk of the afflicted areas are situated in the commands of old irrigation projects and why additional areas are going out of production year after year even in the commands of new projects such as the Chambal and Gandak. It is a particularly distressing thought that lands which are sought to be benefited by being provided with irrigation at great public cost should run the risk of losing their productivity as a result of this very facility — merely because enough attention is not paid to the drainage requirements of the land when the distribution systems are being laid.

The remedy for water-logging consists basically in providing the land with adequate drainage (salinity may need additional treatment by way of leaching and soil amendments). Unfortunately it is not a remedy which the farmer can adopt with his own unaided efforts but necessarily requires Government action in a big way. This is so because field drains — which the farmer may be expected to provide at his own cost — can function only if they can

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empty into intermediate drains which in turn require to be connected to major drains which will take excess waters into a river or other natural outfall. Drainage must therefore be provided in a planned basis for a whole drainage area — or not at all. This rules out individual and even group action and places the major responsibility for reclamation on the Government.

State governments have however generally done very little in this direction so far. Although recent research findings have shown that water-logged lands can be restored to health at a cost of around Rs 3,500 per ha, these findings have yet to be tested under field conditions. However the economics of reclamation are not in doubt because the cost of good agricultural lands with access to irrigation is nowhere less than about Rs 15,000 per ha. The reclamation of 6 million odd ha at a total cost of around Rs 2,000 crores would therefore be a bankable proposition and present no financial difficulties. Such a programme would however require to be backed up by an investment of perhaps Rs 1,000 crores by government on major and intermediate drains. Although not enough is known about the problems of the reclamation of areas rendered water-logged or saline by the sea, a somewhat similar investment on such lands may also be justified in due course — this work will obviously merit a lower priority.

Any strategy for tackling the problems of water-logging will have to take note of the fact that it will avail very little if new areas continue to become water-logged while large sums of money are being spent on reclaiming existing water-logged areas. Our first concern must therefore be to stop new areas being lost to water-logging. This can be done only by ensuring, in the first place, that all new roads, railways and canals are provided with adequate cross drainage works. Although the cost of construction will go up as a result of such a policy, the additional outlay will be more than justified. In the second place, no new canals, distributaries and water-courses should be allowed to be built unless these are lined. Here again cost will go up but will be more than justified on the consideration that productive lands will be saved from damage. However justification for such a policy can also be provided on two additional counts. Seepage losses, which amount to around 40 per cent of all the water which is released from a reservoir, will be saved if lining is undertaken. Again, since

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lined canals, distributaries and channels can be made deeper and narrower in section, they occupy far less land than is required by unlined systems.

As far as existing water-logged areas are concerned, their reclamation would also make sense only if steps could be taken more or less simultaneously to put an end to the seepage which has been responsible for their present condition. Although the lining of existing distribution systems is, for operational reasons, a much more complicated and difficult task than the lining of new systems, it must be attempted sooner or later. Here again, the cost of the work would be justified by the savings which would accrue by the prevention of seepage losses and the additional land which will become available for cultivation on account of canals and distributaries occupying lesser space. In this connection it is relevant to mention that the additional water resources which would become available through a programme of lining existing canal systems have been estimated to be equivalent to an irrigation potential of 6 million ha. Since the creation of additional irrigation potential of the order of 6 million ha would cost around Rs 2,000 crores, an expenditure of this order on a programme of lining the existing canals and distributaries would seem to be justified even if the cost of the land saved is not taken into account.

It will be seen from the above that at a very rough estimate an outlay of around Rs 5,000 crores would be required for the reclamation of inland water-logged and saline areas and for the lining of existing canals and distributaries. An outlay of another Rs 3,000 crores could perhaps be justified, in due course, for the reclamation of lands water-logged or rendered saline by the sea. Financial constraints in the way of carrying out such reclamation and anti-water logging programmes are however not likely to be important because the expenditure will be productive from every point of view. The organisational constraints should also not be particularly significant because very well-organised and equipped engineering organisations exist in almost all states in the shape of Irrigation Departments, which can, if necessary, be easily expanded to take up large-scale drainage works and in the process provide meaningful employment to large numbers of unemployed engineers and technicians.

INTENSIVE USE OF IRRIGATED AREAS

Approximately 40 million ha of land

have access to irrigation facilities as of today. Of this, approximately 16 million ha are served by ground water and perhaps an equal area by Government canals, the remaining 8 odd million ha being irrigated by small tanks and diversion schemes, etc. At a very conservative estimate these irrigation facilities represent an investment, from private and public sources, of around Rs 8,000 crores on the basis of an average of Rs 2,000 per ha.

Quite naturally a great deal of our hopes for self-sufficiency in food are centred on our irrigated lands because it is only in these lands that there can be any assurance of growing more than one crop a year. However, the fact is that the utilisation of the valuable resource which these lands represent has so far been far from satisfactory. The overall intensity of agriculture in our irrigated areas is still no more than 125 per cent which means that we are still far from obtaining even two crops a year from them, let alone achieving higher levels of "multiple cropping", of which there is so much loose talk these days. This is largely due to the fact that the quality of the irrigation which these lands receive varies widely from place to place. The most reliable source of irrigation is the well or the tubewell which the farmer owns and runs himself and which, since it is situated on the farmer's own field, is easy to manage and presents none of the difficulties associated with the conveyance of water over long distances. Government canal systems are much more difficult to operate to the satisfaction of the farmer, particularly in the context of the rather exacting requirements of new high-yielding varieties. Not only are the timings of irrigation uncertain but satisfactory arrangements do not yet exist for the delivery of water to each farmer in accordance with his requirements, and for the carrying away of the surplus so that his land is not damaged by water-logging. As far as small tanks and diversion schemes, etc. are concerned, arrangements for maintaining them in good order are far from satisfactory in most cases. Such schemes are generally not the responsibility of State Irrigation Departments but of district level and even block level engineers. Here again the efficiency of irrigation is much lower than in the case of ground water.

It has been estimated that the productivity of the water which is being presently applied to the land by irrigation can be increased by at least 100 per cent, if irrigation systems and

methods could be modernised and brought into line with soil and crop requirements and if wastages by seepage and by over-application of water could be avoided. It would be worthwhile to make such an effort because in the ultimate analysis, the intolerable pressures to which large areas of our marginal and sub-marginal lands are being subjected by being placed under agriculture can be relieved only if we are able to significantly increase the productivity of our better-placed irrigated lands. A little calculation will show that even if an average production of no more than 3 tons per ha of food-grains could be achieved on all our "irrigated" lands, these alone would be able to produce all the food that the country needs today, and therefore release large portions of the remaining 100 million ha or so which are under unirrigated agriculture for being put to more rational and profitable uses. Among these uses would be a vastly better animal husbandry based on richer pastures and improved strains of cattle, sheep and goats, very much more forestry and very much more horticulture — all of which would be consistent not only with the objective of getting the most out of the land for our impoverished and growing population but also of conserving and improving the soil.

A programme for the better utilisation of our irrigated lands must therefore be taken up as a matter of the highest priority. Such a programme would, in turn, have to give priority to the commands of big irrigation projects because it is in these areas that there is the greatest scope for improvement. The first ingredient of such a programme would be the improvement of water delivery arrangements beyond the "outlet" in the distributary. This is so because the responsibility of Irrigation Departments ceases at the outlet and it is the farmer who is supposed to make arrangements, in concert with other farmers in the block — which may range from about 50 ha to 200 ha in size — served by the outlet to construct and maintain water courses. Experience has shown that such arrangements vary a great deal from place to place. Over vast areas, aggregating to something like 2 million ha, water courses have yet to be built by farmers although the main distribution systems have been completed by Irrigation Departments who have since departed from the scene. In such areas there is no irrigation at all, in spite of water being available.

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In many other areas, where paddy is the only crop, irrigation is carried out by the "flood" or field-to-field method without the use of any water-courses at all — the resulting waste of water can be easily imagined. In the remaining areas there are *katchha* water courses which are wasteful of land as well as of water, are difficult to keep in good order and do not lend themselves to controlled irrigation. If efficient irrigation is to be achieved, properly aligned and lined water courses which are equipped with *pucca* structures capable of delivering water to each field in the command of the outlet are an inescapable necessity. However this would be a near-impossibility so long as the number of fields remains unduly large on account of fragmentation of holdings. The consolidation of holdings at least within the command of each outlet is therefore a prerequisite for efficient and economic irrigation. Such a process of consolidation will however require close co-ordination between the Irrigation and the Revenue authorities as well as, of course, the co-operation of the people.

Another ingredient of the programme is the levelling and shaping of each field so that it may be possible to apply water to it in a uniform manner and without waste. A fourth ingredient is the provision of drainage facilities wherever these are necessary to prevent water-logging and salinity. However, as has been already explained, drainage facilities must be provided in a comprehensive manner over fairly large areas so that the planning and execution of the major and medium drains may keep pace with the construction of field drains.

It has been estimated that a programme of this nature would cost around Rs 3,200 crores to carry out over 16 million ha assuming an average cost of no more than Rs 2,000 per ha. Expenditure of this order would however be justified on purely economic considerations. In the first place it would enable larger areas to be brought under irrigation — and, what is more important, under irrigation of a kind which will be vastly superior to what can be practised by the farmer at present. This should enable Irrigation Departments to collect betterment levies and higher water charges and thereby to make irrigation projects more viable — today they are losing around Rs 100 crores a year for a variety of reasons, one of which certainly is that farmers are

not sufficiently appreciative of the rather indifferent service which is being provided to them. In the second place, since the productivity of the land would be significantly increased through better water management, farmers would be able and willing to pay, over a period of time, for the improvements in the delivery systems as well as for land levelling and field drainage. (The medium and major drains would have to remain the responsibility of the Government.)

As far as the remaining irrigated areas — approximately 24 million ha — are concerned, these too would require attention but on a much smaller scale than the commands of major and medium projects. It is envisaged that these areas would require little or no land levelling and drainage facilities. However, improved water delivery systems would be required even in these areas. In the case of on-farm ground water projects, *pucca* water courses or underground delivery systems have proved to be extremely useful in improving the quality of irrigation. At a very rough estimate, we would perhaps require Rs 1,200 crores for these 24 million ha assuming an average outlay of no more than Rs 500 per ha. The total cost for achieving a higher level of water utilisation and therefore a higher level of agriculture in our irrigated areas would thus work out to nearly Rs 4,400 crores. Such an outlay will however require to be phased out over several plan periods and since it will be of a productive nature, should present no particular difficulties in financing.

The main constraints in the way of executing such a programme will however be of an organisational and technical nature because it will require a great deal of co-ordinated work among a number of disciplines. Thus, soil scientists and agronomists will be required to determine the water requirements of optimum cropping patterns, civil engineers to design and build the delivery systems to meet these water requirements, the revenue authorities to consolidate holdings so as to keep the length of the lined water courses to the minimum, and civil engineers and soil scientists to determine how best the land should be levelled and drainage facilities provided.

In view of the complicated nature of the work and the fact that we are very short of trained soil scientists, work on the improvement of irriga-

tion in our command areas will necessarily have to be slow. However, there is no dearth in State Irrigation Departments of civil engineers who can easily master the jobs of constructing water courses and drains and of levelling the land. Responsibility for these works will therefore have to be placed on State Irrigation Departments which can, if necessary, be suitably expanded for this purpose. It would not be wise for State Agriculture Departments, which are today responsible for improved water management programmes, to set up their own engineering organisations for implementing them. Such a step would mean unnecessary duplication and waste of effort and also smack of narrow departmentalism.

MAINTENANCE OF SOIL FERTILITY

Contrary to popular belief, the soil is not an inert substance but almost a living organism of unrivalled complexity. Fertile soil teems with life and a teaspoonful of it may contain billions of living organisms — the micro-fauna and micro-flora which are responsible for the fixation of atmospheric nitrogen and the breaking down of organic as well as inorganic materials into forms suitable for assimilation by plants. These minute organisms also perform the indescribably complex functions which are carried on simultaneously in the soil at various levels physical, chemical, geological and biological — so that life may continue to be sustained on this planet.

One of the major dangers to which soils are exposed is their depletion under conditions of intensive cultivation. Modern high-yielding varieties make very heavy demands on soils not only for the commonly known NPK but also for micro-nutrients such as zinc, manganese and boron. For maintaining the fertility of soils it is therefore necessary to replenish the nutrients which are taken away from them. A very considerable extension of soil testing facilities as well as of the findings of research with regard to the application of relevant nutrients in the most economical and effective manner will therefore have to be given high priority in respect of irrigated lands. Care will also have to be taken to ensure, by frequent monitoring, that the use of fertilisers and pesticides on such lands does not produce any toxic result. Such a precaution is particularly necessary because the pollution of the soil also involves

the pollution of the waters flowing over or through it.

It is not possible at this stage to give an estimate of the cost of providing such a service. However, this cost is likely to be high.

DEMANDS OF URBANISATION

Another danger to which good agricultural lands are exposed and about which very little is being done at present is their diversion into non-agricultural uses as a result of the growing urbanisation of the country. Adequate Town and Country Planning Organisations armed with regulatory authority which reaches down to the last village, will have to be created in all the states in the interests of planned urban growth. Such organisations must be made responsible for ensuring, in consultation with soil survey organisations, that good agricultural lands are not used for urban and industrial purposes as far as this is possible. Further urban expansion must take place either on inferior lands or in a vertical direction — rich soils must, in no circumstances, be placed under new townships, houses, factories and airports.

III

Some Organisational Imperatives

The ten-point programme outlined above would cost around Rs 23,000 crores to implement. However, since the implementation of such a colossal programme will take a good deal of time — perhaps no less than 30 years with the best will in the world — and since the degradation of the soil will proceed apace during this period, the final bill will be much larger than Rs 23,000 crores. It may well reach a level of around Rs 35,000 crores at current price levels.

Our present level of investment in land and soil management schemes stands at well below Rs 100 crores a year including outlays on major drainage, engineering works for flood control, and the "soil conservation" components of such special recent Central Sector schemes as the DPAP, CSRE, MFAL and SFDA. To reach an investment level of around Rs 1,000 crores a year in even 15 years from now — which is the minimum we must aim at — is therefore going to demand a tremendous effort. This is particularly so because we shall simultaneously have to improve the quality of our performance and ensure that

money is spent productively — any failure on this account will involve the release of further inflationary pressures and grave damage to the economy. It is in this background that we have to consider what kind of policy decisions and administrative arrangements need to be made to ensure the efficient implementation of an ambitious programme of land and soil management.

THE CENTRE'S ROLE

The very first point to be decided is the extent to which the Centre should at all involve itself with the care of the nation's land resources. The Constitution has placed this subject on the State List and, strictly speaking, the Centre has no obligation to do anything about it — the role of the Centre has in fact been of a minimal nature all these years. Thus, almost the entire outlay of around Rs 600 crores which has taken place during the last 20 years on soil conservation works and major engineering schemes for flood control has been in the State sector. The Centre has traditionally done little more than to support some research and demonstration activities, some soil survey work and some soil conservation projects in the inter-state catchments of a few big reservoirs — at a total cost of perhaps no more than Rs 60 crores.

Unknown to itself, however, the Centre is being latterly forced by the logic of circumstances to play a growing role in the field of land and soil management. Thus, it is being asked, year after year, to foot a major portion of the national bill for the relief of distress caused by droughts and floods, both of which are, to a large extent, opposite sides of the same coin of the mismanagement of the country's land and water resources. The Centre is also under increasing pressure to formulate and directly finance employment-oriented schemes for massive rural works, of which by far the most important component consists of "soil conservation" works — very large sums of money have been allocated for this purpose in the last two or three years and still larger allocations are likely to be made in the Fifth Plan. Again, the inter-State aspects of programmes for the protection of reservoirs, major drainage schemes and of flood control works are beginning to receive increasing attention with the realisation that all such works have necessarily to be planned and executed for entire river basins — and this is something which can today be attempt-

ed only by the Centre. But above all, it is the Centre which, in the last resort, has to face the consequences of low production levels in agriculture, animal husbandry and forestry and must therefore interest itself in the health of the soil.

It would be prudent for the Centre to take cognisance of these facts of life and to assume — and deliberately so — a much larger responsibility in this field than it has cared to exercise in the past. For these pressures are not likely to lessen but to grow with time and the sooner they are contained within a conscious policy for the land, the better it will be for everybody. Such a policy must be based, in the last analysis, on an adequate statutory foundation, for which it will be necessary to amend the Constitution so as to place the subject of Land in the Concurrent List. This should, however, present no great difficulty. In the meantime, the Centre has no option but to obtain a commanding position for itself in the field of land and soil management through financial and administrative means.

THE CENTRAL LAND AUTHORITY

This object can be achieved by placing land management programmes increasingly in the Central Sector — a trend which has set in already, though unwittingly — and by creating, at the national level, a focal point of authority for all matters relating to the assessment and management of our lands resources. Such an authority — which may well be called the Central Land Authority (CLA) — will naturally have to be vested with responsibility for the efficient planning and execution of the ten-point programme outlined earlier and therefore with the authority to cut across the various inter-state, inter-departmental and inter-agency boundaries which today come in the way of an integrated approach to what is basically a resource management problem. By the very nature of things the CLA shall have to combine in itself the triple functions of a planning and policy making body at the national level, an executive agency responsible for the proper implementation of various programmes in the Central Sector and a technical agency which can act as an apex organisation in respect of the various disciplines concerned with the assessment and management of our land and soil resources.

In view of the inter-disciplinary nature of the work involved, the CLA

shall necessarily have to be organised in the form of a Board capable of providing representation to the many interests concerned. On the assessment side, the Board should contain representatives of organisations such as the Survey of India, the Central Soil Survey Organisation, the Institute of Photo-Interpretation, and the Indian Space Research Organisation; while on the management side it will have to include representatives of the various technical wings in the Department of Agriculture responsible for disciplines such as forestry, agrostology, agronomy, soil conservation engineering, irrigation water management, and minor surface irrigation. The Board should also be representative of the research and training wing of the Indian Council of Agricultural Research in the field of soil and water management, the drainage and flood control wing of the Central Water and Power Commission and of the Central Town and Country Planning Organisation. The Board shall of course have to develop its own public relations wing and, in view of the large outlays envisaged, a strong wing for economic studies, analysis and evaluation. Needless to say such an authority shall have to be presided over by a whole-time Chairman of the highest possible calibre and administrative experience and serviced by a strong and efficient secretariat.

The secretariat of the CLA shall have to be organised with particular care if the Authority is not to be bogged down in unnecessary detail. It should be a small and compact body and should consciously guard against the temptation to build up a big organisation at the Centre. Nothing in fact should be attempted to be done from Delhi which can be done at levels closer to the ground. Strong regional agencies should therefore be set up by the CLA to formulate concrete programmes and to ensure their implementation through appropriate State agencies, as well as to fill the technical vacuum which characterises the field of land and soil management today. Such agencies will naturally have to be organised in accordance with the boundaries of the major river basins which are the natural units for land and soil management. The maximum possible delegation of powers and authority must thereafter be made by the CLA to these bodies which may be called River Basin Land Authorities (RBLA). Only if some such method is followed will it be possible for the

CLA to properly discharge its most important function, namely, the formulation and monitoring of national plans and policies in the entire field of land and soil management.

The alternative of stationing armies of chair- and air-borne inspectors and specialists in New Delhi and expecting them to control and supervise large-scale field operations in all parts of the country is too frightening to be even entertained. Experience shows that one of the major reasons why the Centre is not as effective as it might be expected to be in certain fields, is that it has burdened itself with too many direct executive and technical responsibilities and that these prevent it from paying adequate attention to its real work of planning, supervision, and co-ordination — such a mistake must not be repeated while taking up colossal new responsibilities in the field of land and soil management.

THE RIVER BASIN LAND AUTHORITY

A land authority will therefore have to be established for each of the major river basins of the country within which it will act as an agent of the CLA for almost all purposes. While some of the smaller river basins which are contiguous to each other — for example the Tapti and the Narmada — can be clubbed together for purposes of convenience, it will be necessary to divide the Ganga basin which is too big to be handled as a unit, into separate basins such as the Chambal, the Yamuna and the Upper Ganga so as to form units which are roughly equal in area and comparable in respect of the scope and size of management problems they pose. On this basis, about a dozen River Basin Land Authorities will be needed to cover between them all parts of the country.

It will largely fall upon the RBLA to make good the administrative and technical deficiencies which characterise our land management programmes at present and to ensure that the big programmes which we plan for the future are carried out with the maximum degree of efficiency and economy. The RBLA will be expected to make, as quickly as possible, an overall assessment of the different kinds of land and soil management problems within the basin, to identify the areas which qualify for priority action, and to initiate the same through state agencies in as efficient a manner as possible. It is envisaged that the allotment of Central Sector funds for various

programmes within each basin will be made by the CLA on the recommendations of the RBLA which will take into account the administrative and technical competence of the state concerned to carry them out. An evaluation of the work done by different states within each basin will also have to be carried out more or less continuously by the RBLA in order to ensure that certain minimum technical and administrative standards are maintained.

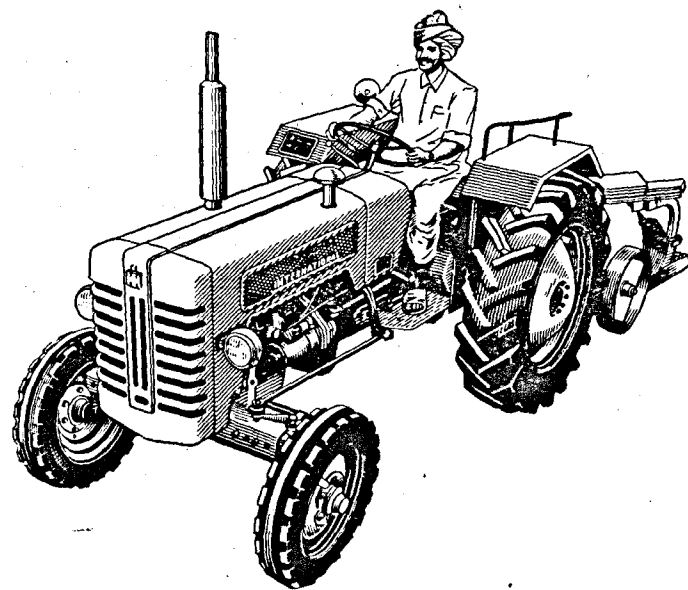
It is to be remembered that such work will be of an entirely novel nature and has never been attempted before in the country. In order to make it possible that it is carried out efficiently, it will be necessary for each RBLA to equip itself with specialists and technical experts in a variety of disciplines. Since such people are not really available today — because there has been no demand for them — it will be part of the RBLA's responsibility to create the necessary cadres for itself. Such an attempt must be made cautiously so that we do not pull out from the states too large a proportion of the limited numbers who are actually working on land and soil management projects today. For this reason, it will be desirable to recruit, as far as possible, fresh graduates and to train them up in actual field conditions. This in turn can be done only if the RBLA directly undertakes the operation of a large number of site-specific land and soil management projects which should aim at serving as models of their kind for state governments to follow.

There are today no more than two dozen such projects on the ground of which about half are oriented towards soil conservation and the other half towards the better use of irrigation waters in command areas; the former are controlled by the ICAR while the latter are run by the Department of Agriculture. Projects aimed at the demonstration of measures against wind erosion, sea erosion, water-logging and salinity are conspicuous by their absence. It is obvious that a very large expansion in the number of demonstration projects will have to be undertaken by each RBLA in the light of its own local needs.

Although research in soil and water management problems is being carried out at a number of stations, their findings lack credibility to the extent that they have not been tried out under field conditions. The proposed demonstration projects will provide an ex-

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cellent opportunity for adaptive research under actual field conditions and thereby bring research closer to training, demonstration and extension. The properly trained and technically confident workers produced by these Centres will, it is hoped, carry much greater conviction with the states than it is possible for advisers of the traditional type to do — advisers who have sometimes not had anything to do with actual project work for perhaps the last 20 years! These site- and problem-specific Centres will also be capable of functioning as Centres for refresher courses for the more senior technicians in due course.

For all these reasons the establishment and successful operation of a large number of demonstration projects will necessarily form the cornerstone of the activities of the RBLA for many years to come. The cost of such projects will naturally have to be borne by the Centre except to the extent that improvements carried out on private lands will as far as possible be financed out of institutional loans by the beneficiaries themselves. If the demonstration projects are carefully sited, it would be reasonable to expect that they will have a powerful "ripple" effect on neighbouring lands. These projects will thus become focal points of growth in their particular fields and will begin to play an increasingly important role in our programmes.

Experience shows that in spite of good intentions, many of our schemes fail because sufficient attention is not being paid to matters which appear at first sight to be matters of mere detail. One of these matters concerns the living conditions of workers in outlying areas where even the basic amenities are lacking. Since hundreds of demonstration projects which will ultimately have to be established will by definition have to be situated in out of the way places and in the deep interior, it is necessary that we should make them attractive for people who are expected to work and live there. Suitable allowances depending in each case on the unattractiveness or hardship level of the area, will have to be given to attract suitable people to such projects and to tempt them to stay there for long periods.

Only after the RBLA has established all the projects which are required by it and only after these projects have begun to find solutions to concrete problems which are both financially and technically viable and to turn out

trained workers, will the state be reached when we can confidently take up large-scale programmes of development. During the preliminary period when solutions are being patiently found and cadres are being built up progress will necessarily be slow. But then the land yields only to patient and solid work and there is no magic wand by which we can improve it overnight.

The RBLA also shall have to be organised in the form of a Board more or less on the lines of the CLA. This Board will contain whole-time representatives of the various disciplines concerned but technical representatives of the states situated wholly or partly in the basin may also be provided representation on an *ex-officio* basis. In addition, the RBLA will incorporate in itself the local Flood Control Commission if any, and thus correct the imbalance which characterises flood control work at present. The Chairman of the RBLA shall, again like the CLA, have to be a man of the highest possible administrative ability and leadership. Success or failure in this vital field will depend to a large extent on the imagination, energy and resourcefulness with which the Chairmen of the various RBLAs approach their tasks. It will therefore be well to make these posts as prestigious and attractive as possible so that they may attract the very best talent.

THE STATE LAND AUTHORITY

The third link in the proposed chain of administrative arrangements for proper land and soil management will be the State Land Authority (SLA) which will be cast in the image of the CLA and will have the same kind of responsibility within the state as the CLA will have at the national level. The SLA will, in the discharge of its functions, have the authority to cut across all departmental and administrative boundaries within the state. The SLA will work in close co-operation with the RBLAs with which the state is concerned and will, in order to qualify for financial assistance for various programmes, have to effectively implement the inter-state plans which are drawn up by the RBLA on basin-wide considerations.

THE WATER-SHED LAND AUTHORITY

Within the state, all soil conservation and drainage programmes will be planned and undertaken only on the complete water-shed or sub-water-shed basis, regardless of where the owner-

ship of land lies. All the departments concerned will be involved in the implementation of plans in accordance with their specialisation and capacity. For this purpose it may be necessary for the SLAs to appoint, as their agents and operational limbs, water-shed land authorities and sub-water-shed land authorities which can ensure the integrated planning and execution of works. Needless to say, these authorities will work in accordance with the technical standards which are set for them by the RBLAs. They will also, it is envisaged, depend heavily on the RBLAs for the trained men that they need.

THE COMMAND AREA LAND AUTHORITY

In view of the special importance of utilising to the maximum possible extent the potential of our irrigated areas, it would be appropriate to appoint for the command of each major and medium project within the state a suitably constituted authority charged with responsibility of putting available waters to the best use. Such an authority which may be called the Command Area Land Authority (CALA) will undertake such works as properly designed water courses, the consolidation or holdings within each outlet of the command, the levelling and shaping of fields, and the provision of field drains wherever necessary. Such an authority will also undertake the lining of canals and distributaries on a progressive scale and the execution of other works designed to modernise existing flow systems.

The improvement of the efficiency of irrigation in the commands of state tubewells, private tubewells and small surface irrigation works will also need attention. This may be provided by a suitable organisation for water management within the SLA which will have the necessary extension agency in each district.

IV

Some Financial Aspects

Although the total outlay of around Rs 23,000 crores required for the implementation of the ten-point programme is of staggering proportions, it need not frighten us unduly. This is so because less than 40 per cent of this outlay will have to be met by the government directly — the remainder represents investment of a productive nature and can therefore be financed from institutional sources both internal and external. According to the

TABLE

Job	Total Outlay	Government Outlay (in crore rupees)	Institutional Outlay
(1) Education and public relations	10	10	Nil
(2) Soil surveys	100	100	Nil
(3) Control of water erosion	5400	2000	2400
(4) Control of wind erosion	3000	2000	1000
(5) Control of sea erosion	100	100	Nil
(6) Engg works for flood control	2000	2000	Nil
(7) Major drainage and control of water-logging	8000	2000	6000
(8) Optimum use of irrigated areas	4400	Nil	4400
(9) Soil testing and maintenance of fertility levels	20	20	Nil
(10) Administrative expenses including prevention of diversion of good lands	20	20	Nil
Total	23050	8250	14800

best judgment that it is possible to make today, the size of the total programme will be somewhat as shown in the Table.

It will be seen that jobs Nos 1, 2, 5, 6, 9 and 10 have been debited entirely to the government account because they either represent services of an infra-structural nature or works which the government has been financing directly all these years. Job No 8 has been placed in the institutional sector because it represents works which will benefit the farmer directly and which, experience shows, he can pay for over a period of time. As regards Jobs Nos 3 and 4, it is felt that these will cover both public and private lands and that although the works will be of a productive nature, recoveries will be possible only in respect of the latter and even then not to the extent of 100 per cent in all cases. Expenditure on these jobs has therefore been divided between the government and institutional sectors on the basis of the best available judgment. As regards Job No 7, the Rs 2,000 crores which are proposed to be spent on providing major and intermediate drains has been shown in the government sector and the remainder, which is envisaged to be spent on the reclamation of privately-owned water-logged lands has been included in the institutional sector.

It is felt that it should be possible to undertake a total programme of around Rs 1,000 crores in the Fifth Plan and of approximately double this amount in the Sixth Plan. If an increase of around Rs 1,000 crores can be maintained in each subsequent Plan period, it should be possible to achieve a total outlay of around Rs 23,000 crores over a period of 30 years.

V

A Summing Up

With 75 per cent of our people still dependent on the land for their livelihood, the care of this resource must obviously rank high in our priorities. The cost of looking after our soil, however high it might be, is still less than the price we are paying for neglecting it. However, time is running out and the creation of the administrative, technical, financial and legal arrangements necessary to ensure the care of the soil is a task which admits of no further delay. The political will needed to make such an effort possible is also likely to be forthcoming — the country is in a mood, in the 26th year of its independence, to demonstrate that it is capable of taking and implementing hard decisions.

The habit of considering the land as incidental to narrowly conceived departmental schemes instead of as a single indivisible resource which needs attention in its own right lies at the back of a lot of our troubles and must be rooted out. Today, the irrigation engineer looks at the land as something to either water or drain (but rarely both), the agricultural soil conservation engineer as something to terrace and bund, the forester as something to grow trees on, and the planner as something which can create large-scale employment opportunities — whether for the skilled or the unskilled, whether for the landless or the small farmer, whether in wet or dry conditions and whether on a crash or a continuing basis. We thus have a multiplicity of agencies each of which is necessarily interested only in implementing its own schemes without reference to the others and

none of which can see the picture as a whole. This is a situation reminiscent of the seven blind men and the elephant in the story — a situation which can be corrected only by creating organisations which can take a synoptic and a sympathetic view of the needs of the land so that these may be catered to in a direct, deliberate and efficient manner.

The management of land and soil resources is indissolubly linked with the management of water resources and cannot therefore be attempted without subjecting the latter to some discipline. For irrigation is not an end in itself but only a means to greater production from the land. It is because such discipline has been absent in the past that so little attention has been paid by our irrigation projects to the problems of sedimentation, water-logging and proper water utilisation. It will be necessary to ensure, in the future, that while on the one hand no new projects are taken up which do not give enough attention to these aspects, energetic steps are also taken on the other hand to remedy such deficiencies in the case of existing and ongoing projects. Such a policy will not result in any shrinkage of employment opportunities for engineers, as feared by some, but rather in their expansion.

A sound land policy will therefore automatically lead to a sound water policy — one which lays more emphasis on the development of ground water resources and insists on much more care with regard to surface water schemes. There is little doubt that such a policy will bring about a close working relationship at various levels between the proposed land authorities and the organisations which deal with the development of water resources, both ground and surface. In the fullness of time, the remorseless logic of circumstances will complete this process by demanding the creation of a Department of Land and Water in the Ministry of Agriculture at the Centre and of similar arrangements in the states. In due course, responsibility for various other neglected aspects of the ecological environment will also inevitably get drawn to such departments. Let us however, take only one small step at a time and not hasten the future unduly, dream of it though we must.

[The views expressed in this paper are those of the author and do not necessarily reflect those of the organisations to which he belongs.]

Calculation of Efficiency Indices of Farmers

A Numerical Exercise

Ashok Kumar Hati
Ashok Rudra

This paper presents the results of an exercise that was carried out with respect to a sample of farmers with a view to evaluating for each individual farm:

(a) an index of "technique efficiency" in relation to the production possibility set to which the sample observations are supposed to belong;

(b) indices of "allocative efficiency" in relation to some of the input items that a farmer may be assumed to be free to allocate; and

(c) marginal productivity of each of these variable input items.

In an earlier paper (Ashok Rudra, "Allocative Efficiency of Indian Farmers: Some Methodological Doubts", January 20, 1973) the theoretical basis for the currently popularised idea that Indian farmers are rational allocators of resources was subjected to some serious criticisms. In another paper (Amal Krishna Dey and Ashok Rudra, "A Test of Hypothesis of Rational Allocation under Cobb-Douglas Technology" March 24, 1973) results of certain tests were presented which rejected the hypothesis of allocative efficiency. In the course of the present paper we present the results of an exercise that was carried out with respect to a sample of farmers with a view to evaluating for each individual farm:

(a) an index of "Technique Efficiency" in relation to the Production Possibility Set to which the sample observations are supposed to belong;

(b) indices of "allocative efficiency" in relation to some of the input items that a farmer may be assumed to be free to allocate;

and (c) marginal productivity of each of these variable input items.

We shall first of all explain the different concepts of efficiency used. A Production Possibility Set is a set X in the $n+1$ dimensional vector space such that each point $x_1, x_2, \dots, x_{n+1}$ in that set represents a possible combination of inputs $x_1, x_2, \dots, x_n$ and the resultant output x_{n+1} , given a certain state of technological knowledge. Consider the subset X^* of X such that the typical point x^* belonging to X^* is a combination of inputs $x_1, x_2, \dots, x_n$ and the maximal output x_{n+1}^* possible by the transformation of the inputs $x_1, x_2, \dots, x_n$. The subset X^* is defined as the Production Function. All points belonging to X that do not belong to X^* represent "inefficient" combinations of input and output — an output less than the maximum possible by transforming the same combination of inputs used, given the state of techno-

logical knowledge. It is a strange fact that while this definition of a Production Function is universally accepted in the literature of production economics, it is practically never followed in the empirical literature of statistical production functions. An important exception is the work of M J Farrell who suggested a method for estimating the facets of a convex polyhedral enclosing a set of observed points. There are two serious limitations in Farrell's approach for our purpose. One is that he uses a non-probabilistic method of estimation which gives highly unstable results in that the estimates are liable to be changed drastically by the addition of a single observation. The second is that he uses activity analysis assumptions which makes the approach unsuitable for agriculture. The methods commonly used for fitting production functions — the Least Squares Method, the Method of Maximum Likelihood, etc., — are such that the underlying model obviously is

$$x_{n+1} = f(x_1, x_2, \dots, x_n) + g \quad (1)$$

or, more commonly

$$x_{n+1} = f(x_1, x_2, \dots, x_n)h \quad (2)$$

where g is an additive error term and h a multiplicative one. In other words the production function $f(x_1, x_2, \dots, x_n)$ is conceived of as the Expected Value of output, given the inputs $x_1, x_2, \dots, x_n$ and not the maximal value. We have however proceeded according to the theoretically correct definition of the Production Function and have defined the different indices of efficiency in the following manner.

(1) Index of Technique Efficiency is given implicitly by the relation

$$x_{n+1} = x_{n+1}^* E_1 = x_{n+1}^* E_h \quad (3)$$

where x_{n+1} is output actually obtained by a particular farm from a combination of inputs $x_1, x_2, \dots, x_n$; x_{n+1}^* is the maximal output possi-

ble from the same combination of inputs, given the same technological knowledge; h an error term, to take care of various chance factors, with mathematical expectation equal to 1; and E a factor measuring the inefficiency of the farm concerned in the matter of transforming inputs into output. It is however not possible to isolate E and h . At the best, estimates can be made of E_1 , the product of the chance factor and the efficiency factor. We shall call this E_1 the Index of Technique Efficiency. E should be always less than 1, but E_1 can indeed take value greater than 1, thanks to the contribution of h .

(2) Indices of Allocative Efficiency Let F be a function that maps the set of inputs $x_1, x_2, \dots, x_n$ on to the set of maximal outputs x_{n+1}^* . Then

$$x_{n+1}^* = F(x_1, x_2, \dots, x_n) \quad (4)$$

represents the production function. Consider now variations in F for variations in the input variables. We shall assume that a certain number s of the inputs $x_1, x_2, \dots, x_n$ are fixed for each farmer, whereas he is free to choose the remaining inputs,

$$x_{s+1}, x_{s+2}, \dots, x_n \text{ Let } x_{s+1}^*, x_{s+2}^*, \dots, x_n^* \quad (5)$$

represent the optimal input combination for a particular farm subject to the condition of the inputs $x_1, x_2, \dots, x_s$ remaining fixed and let the technologically maximal output corresponding to this combination of inputs be x_{n+1}^{**} :

$$x_{n+1}^{**} = F(x_1, x_2, \dots, x_s, x_{s+1}^*, x_{s+2}^*, \dots, x_n^*) \quad (5)$$

Then we shall define as the Allocative Efficiency Index for output the following:

$$E_2 = \frac{x_{n+1}^*}{x_{n+1}^{**}} \quad (6)$$

Also we shall define as Allocative Effi-

ciency Index for the r th input the following

$$q_r = \frac{X_r}{X_r^*} \quad (7)$$

For numerical evaluation of these indices we have used data pertaining to 149 farms drawn at random (with probability proportional to farm size) from the Hooghly district of West Bengal. The variables we have considered are:

- A cultivable area in acres
- P quantity of output (per acre)
 π price index of output (which may vary from farm to farm)
- M quantity of material inputs (measured in value units per acre)
- L quantity of human labour input in hours (per acre)
- r percentage of cultivable area irrigated

The production function that has been fitted can be written as

$$P\pi = \max P\pi = a M^{\alpha_1} L^{\alpha_2} e^{\alpha_3 r} A^{\alpha_4}$$

So that the Index of Technique efficiency would be

$$E_1 = \frac{P\pi}{\hat{P} a M^{\alpha_1} L^{\alpha_2} e^{\alpha_3 r} A^{\alpha_4}}$$

It may be seen that the functional form used is the Cobb Douglas with a certain modification. The modification consists in putting one of the variables, namely r , percentage of area irrigated, as an exponential term rather than a product term. This is done to take care of the problem that would arise when r takes the value 0. Many cross-section production functions encountered in the literature treat r as just another variable in a straight-forward Cobb Douglas form. This has the absurd implication that production would be nil whenever land is not at all irrigated. It also makes computation in logarithms impossible. The same difficulty would arise (and the same remedy should apply) when considering such variables as fertilisers and machinery. Surely production can

take place and does take place with zero irrigation, zero fertiliser input and without the aid of any machinery. The statistical procedure followed in fitting the function F would be discussed in a later section. We would rather proceed now to present the quantitative results.

TECHNIQUE EFFICIENCY

Let A_i , P_i , π_i , M_i , L_i and r_i be the observed variable values for the i -th farm ($i = 1, 2, \dots, 149$). Then the formula for the calculation of the index for the i -th farm is

$$E_i = \frac{P_i \pi_i}{(10.958) M_i^{0.2408} L_i^{0.5530} e^{0.3856r_i} A_i^{0.1122}} \quad (10)$$

This formula has been used to calculate the Technique Efficiency Index for each of the 149 farms. The results are presented in the form of a frequency distribution in Table 1. It may be seen that about 60 per cent of the farms have efficiency lower than 40 per cent; that is, about 60 per cent of the farm are such that they produce less than 40 per cent of what the most efficient farms among them can produce given the same inputs. It may also be noticed that Y farms have index value exceeding 1. That indicates the effect of the chance variable h acting in a highly efficient farm.

ALLOCATION EFFICIENCY: UNCONSTRAINED MAXIMISATION

If farmers could freely vary all the inputs considered, namely, land, labour, irrigation and material inputs, and if they were allocating resources in what is called a rational manner, then they would of course all end up having identical input combinations. That they are not doing so, that all the farms are not identical like so many Siamese twins, is sufficient proof that allocative efficiency in that sense does not prevail among them. This point is flagrantly ignored by those who compare the marginal producti-

TABLE 1: FREQUENCY DISTRIBUTION OF INDICES OF "TECHNIQUES EFFICIENCY"

Range for Index e_1	Number of Farms	Percentages
0-0.20	25	17
0.20-0.40	63	42
0.40-0.60	31	21
0.60-0.80	18	12
0.80-1.00	5	3
1.00 and above	7	5
	149	100

Note: The index e_1 is the ratio of P_i the observed values of farm output and $\hat{P}$ the maximal value of output technologically possible for the same combination of inputs.

TABLE 2: FREQUENCY DISTRIBUTION OF THE RATIO OF MARGINAL PRODUCTIVITY OF MATERIAL INPUTS TO THEIR MARKET PRICES

Rates of Marginal Productivity to Market Price	Number of Farms	Percentages
0-0.50	24	16
0.50-1.00	43	29
1.00-1.50	29	19
1.50-2.00	18	12
2.00 and above	35	24
	149	100

TABLE 3: FREQUENCY DISTRIBUTION OF THE MARGINAL PRODUCTIVITY OF LABOUR

Marginal Productivity of Labour in Rupees Per Day of 8 hours	Number of Farms	Percentages
0-1	14	9
1-3	18	12
3-5	19	13
5-8	58	39
8 and above	40	27
	149	100

Note: The market wage rate may be taken to be Rs 3 per day of 8 hours

ties of all inputs (including land) with their market prices as a means of testing for their allocative efficiency!

To be more realistic, we shall assume that for each farm i the amount of land A_i and the share r_i of it irrigated are fixed for all practical pur-

poses; so that if the farmer is to allocate his resources rationally, the input items on which he can operate are the material inputs M_i and the human labour input L_i . If indeed he is choosing M_i and L_i so as to maximise his profit, given by

$$P_i \pi_i - M_i - L_i W \quad (11)$$

where W is the wage rate, he would be equating his marginal productivity of material inputs to 1 (given that M_i is measured in rupee units) and that of labour to W . That farmers are not using inputs in such optimal proportions is made clear by Tables 2 and 3 which present the marginal productivities of material inputs and labour for individual farmers in the form of frequency distributions; the marginal productivities have been calculated by using the following formulae:

$$\begin{aligned} \frac{\partial P}{\partial M} &= \frac{\partial \hat{P} E_i}{\partial M} = \alpha_1 \frac{\hat{P} E_i}{M} \\ &= \alpha_1 \frac{P}{M} \quad (12) \end{aligned}$$

marginal productivity of labour =

$$\frac{\partial P}{\partial L} = \frac{\partial \hat{P} E_i}{\partial L} = \alpha_2 \frac{\hat{P} E_i}{L} = \alpha_2 \frac{P}{L} \quad (13)$$

Hence, the marginal productivities of the i -th farmer may be written as

$$\alpha_1 \frac{P_i}{M_i} \text{ and } \alpha_2 \frac{P_i}{L_i}$$

As can be seen from Table 2, more than one-third of the farms are operating in such a way as to have marginal productivity of material inputs 50 per cent or more above the level that would satisfy the criterion of rational allocation of resources and one-sixth of them have marginal productivity below 50 per cent of that level. Table 3 presents the frequency distribution of marginal productivities of labour for 8-hour days in rupees. If one wants to compare these marginal productivities with the "market wage rate", one may take for the latter the figure of Rs 3 per 8-hour day or Rs 0.375 per hour. (Given the operationwise and seasonwise variations of wage rate in agriculture, as well as the different rates for different categories of hired labour, it is difficult to say what single number could be regarded as the "marginal wage rate"; but if a single number has to be taken, a reasonable model average would be Rs 3 per day.) It is seen from Table 3

that 27 per cent of the farmers are using human labour in such a fashion as to produce a marginal productivity of labour per day of Rs 8 or more; and another 10 per cent are operating with a marginal productivity of less than Re 1 per day! So much for the Rational Allocation of Resources thesis getting established by the observed correspondence of market prices and marginal productivities!

The matter may be looked at in a more direct fashion. If indeed an efficient farm, subject to the production function F given by (8) and given the fixed resources A_i and r_i , is maximising output by optimally choosing M_i and L_i , then it can be shown that the optimal inputs M_i^0 and L_i^0 and the resultant optimal output P_i^0 would be given by

$$\begin{aligned} 1 - \alpha_1 - \alpha_2 &= (\pi_i P_i^0)^{\alpha_1 + \alpha_2} \\ &= a e^{\alpha_3 r_i} A_i^{\alpha_4} \left(\frac{\alpha_2}{w} \right)^{\alpha_2} \quad (14) \end{aligned}$$

$$M_i = \alpha_1 P_i \pi_i \quad (15)$$

$$L_i = \frac{\alpha_2 P_i \pi_i}{w} \quad (16)$$

Numerical calculations show that these optimal inputs and outputs would be more than the observed inputs and outputs by factors that may be of the order of 100 or 200 or more. Table 4 shows some such calculations for three selected cases.

ALLOCATIVE EFFICIENCY: CONSTRAINED MAXIMISATION

We can now add one further constraint on the i -th farmer. We shall say that he is free to choose M_i and L_i only in such a fashion as to satisfy the budget constraint.

$$M_i + L_i W = Z \quad (17)$$

(M being measured in value units does not require to be multiplied by price). It can be shown that with this constraint the optimal combination of labour input and material inputs would be given by

$$M^* = \frac{\alpha_1}{\alpha_1 + \alpha_2} Z \quad (18)$$

$$L^* = \frac{\alpha_2}{\alpha_1 + \alpha_2} \frac{Z}{W} \quad (19)$$

We can assume for the i -th farmer that his budget Z_i is exhausted by

the actual inputs he is observed to make; that is, Z_i may be calculated by the formula:

$$Z_i = M_i + L_i W \quad (20)$$

This permits the calculation of M_i^* and L_i^* for him by the use of the formulae (18) and (19). We can treat the ratios

$$\frac{M_i}{M_i^*} \text{ and } \frac{L_i}{L_i^*} \quad (21)$$

as the Allocation Efficiency Indices for material input and labour input, respectively. Tables 5 and 6 present these indices in the form of frequency distributions. It is seen from Table 5 that about 40 per cent of the farms use material inputs 50 per cent or more above or below the optimal level. The divergence from the optimal labour input is less marked. Thus, as many as 65 per cent of the farms have their labour inputs within ± 25 per cent of their respective optimal labour input levels. The question may be asked: could this extent of divergence from the optimal levels taken jointly be explained away as arising out of chance factors alone? This would require a test and such a test was carried out (with the same body of data) and the results presented in the earlier paper. It was found that the test rejected the hypothesis of farms departing from the optimal levels only by chance factors.

It is, however, interesting to notice that even though the combinations of labour input and material input are significantly different from the (constrained) optimal combinations, the (constrained) optimal point

$$F(A_i, r_i, M_i^*, L_i^*)$$

on the maximal production surface corresponding to the farm having land A_i and irrigation percentage r_i does not differ a great deal from the maximal point $F(A_i, r_i, M_i, L_i)$ corresponding to the observed combination

$$E_2 = \frac{F(A_i, r_i, M_i, L_i)}{F(A_i, r_i, M_i^*, L_i^*)} \quad (22)$$

is in most cases very large. Out of the 149 cases only in 6 is the ratio less than 0.95 (see Table 7). This means that the technologically maximal output varies only slightly when A_i , r_i as well as Z_i are kept fixed.

STATISTICAL METHODS

The statistical procedure that has been used to estimate the function F

TABLE 4: MAXIMAL OUTPUT AND OPTIONAL OUTPUT FOR SELECTED FARMS

	Fixed Resources		Observed Variable Inputs		Technologically Maximal Output Given the Fixed Resources and the Variable Inputs	Technologically Maximal Output when Variable Inputs Are Selected Optimally
	Land (acres)	Irrigation (%)	Per Acre Material Inputs (Rs)	Per Acre Human Labour Input (hrs)		
Case 1	0.17	1.00	734	2253	7643	1,681,900
Case 2	1.04	0.00	69	769	1202	60700
Case 3	6.46	0.22	71	529	1470	422900

The Indian Agricultural Research System

Rakesh Mohan

D Jha

Robert Evenson

TABLE 5: FREQUENCY DISTRIBUTION OF THE RATIO OF THE VALUE OF MATERIAL INPUTS ACTUALLY USED TO THE OPTIMAL ALLOCATION OF RESOURCES TO MATERIAL INPUTS

Ratio $\frac{X_1}{X_1^*}$	Number of Farms	Percentages
0-0.50	5	3
0.50-1.00	34	23
1.00-1.50	56	38
1.50-2.00	40	27
2.00 and above	14	9
	149	100

TABLE 6: FREQUENCY DISTRIBUTION OF THE RATIO OF LABOUR INPUT ACTUALLY USED TO THE OPTIMAL QUANTITY OF LABOUR INPUT

Ratio $\frac{X_2}{X_2^*}$	Number of Farms	Percentages
0.25-0.50	6	4
0.50-0.75	44	30
0.75-1.00	62	42
1.00-1.25	35	23
1.25-1.50	2	1
	149	100

TABLE 7: FREQUENCY DISTRIBUTION OF ALLOCATION EFFICIENCY INDICES FOR OUTPUT

	No of Farms	Percentage
Less than 0.70	2	1
0.70-0.80	8	5
0.80-0.90	18	12
0.90-0.95	38	26
0.95-1.00	83	56
	149	100

is as follows. We have to begin with a straightforward fit of the function to our data in the usual way — that is, by the Method of Least Squares applied to the logarithms. We expressed all the variables in per-acre terms to ensure homoeostaticity. The estimates yielded were

$$\alpha_0 = 0.53972$$

$$\alpha_1 = 0.24084 \text{ (0.09810)}$$

$$\alpha_2 = 0.55302 \text{ (0.1417)} \quad R^2 = 0.4985$$

$$\alpha_3 = 0.38562 \text{ (0.09292)}$$

$$\alpha_4 = 0.11219 \text{ (0.05805)}$$

(The figures in brackets are the res-

pective standard errors). α_3 , it may be noted, is the estimate of the constant term in the linear regression equation. The next step was to calculate for each observed combination of values of inputs M_i , L_i , r_i and A_i the expected value of $\log P_i$ by using the formula:

$$E(\log P_i) = \alpha_0 + \alpha_1 \log M_i + \alpha_2 \log L_i + \alpha_3 r_i + \alpha_4 \log A_i \quad (23)$$

We then took the deviations

$$\log P_i - E(\log P_i) = d_i \quad (24)$$

and studied its frequency distribution. With the help of this empirical distribution we estimated the upper 95 per cent point of the population distribution of d_i which may be designated by $\log d$. Then the estimate of the parameter a in the formula (8) has been made by using the following formula

$$a = \alpha_0 d \quad (25)$$

The interpretation we put on the estimate a thus arrived at is as follows.

In repeated sampling it may be expected that an observed output P_i would exceed the estimated maximal

values P_i roughly in 5 per cent of the cases. The fact that the estimated P_i does not pretend to be an absolute maximum but a probabilistic limit subject to a 5 per cent chance of being exceeded is precisely the singular virtue claimed by us for this method. It also follows that if the estimates in the first instance are based on a reasonably large sample size, the upper limit thus arrived at will change only slightly on recalculation after incorporation of fresh data.

The R^2 value is rather small. However, given the interpretation we are giving to the fitted function, R^2 is not to be interpreted only as a measure of "goodness of fit". It is to be interpreted also as a measure of dispersion of the Technique Efficiency

Indices (which, it may be recalled, reflects variations due to efficiency differences as well as due to chance factors). A small R^2 means a large dispersion.

It may be mentioned that while the addition of the irrigation term significantly improves the fit, that of A does

not. That is, the co-efficient α_4 is found to be non-significant. It may be asked why, in that case, the variable A has been retained at all. Our answer is that the inclusion of the A term with a positive co-efficient would imply increasing returns to scale, whereas its omission would mean constant returns to scale. (This is so as the variables M , L and r are each proportions of A). We would insist

on retaining the co-efficient value $\alpha_4 = 0.11219$, as representing a moderate increasing returns to scale tendency. It is non-significant only *vis-a-vis* the null hypothesis of constant returns to scale. We know of no prior scientific reasoning to subscribe to the view that constant returns to scale prevail among the farms studied. And as such it is quite incorrect to set up, quite arbitrarily, a null hypothesis that α_4 is actually zero in the population. In such a situation, the best course of action is to fall back upon the best point estimate, which is, in this case, 0.11219.

Fibreglass Pilkington

FIBREGLASS PILKINGTON has undertaken a substantial expansion programme at its Thana factory for manufacture of continuous glass filaments; for that purpose it will require to raise additional funds. The board proposes to obtain a rupee loan of Rs 54 lakhs and a foreign currency loan of £ 136,235 (equivalent of about Rs 26 lakhs) from ICICI. The foreign currency loan is to be obtained out of the UK line of credit as stipulated by the Government of India. As one of the conditions for grant of the loans, ICICI has stipulated that it would have an option to convert part of the loans into 90,000 equity shares of Rs 10 each at a premium of Rs 2.50 per share during the period April 1975 to March 1977. The shares issued to ICICI will rank *pari passu* with the existing shares, provided that they will be entitled to a proportionate dividend from the date of allotment in respect of the financial year in which they are so allotted.

The economic performance of the agricultural sector in most countries has been largely determined by the organised research and extension activity in those countries. An increasing number of studies have established an association between productivity growth (as conventionally measured) and the level of such activities.¹ The term 'non-conventional' factors has crept into the related literature to describe these activities.

At present, a complete compilation of the level of investment in agricultural research is not available either for all-India or for the major states in India. This paper develops such a compilation, in the form of time series data on research investment in each major state from 1950 to 1968.

The primary purpose in developing these data is to provide a basis for studies of productivity gains in Indian agriculture. The authors realise that the enterprise is fraught with difficulties, as witness the notes to the tables. It has been possible, however, to obtain a reasonably complete reconciliation between two independent data sources — which has been the basis for reporting them here. The authors present this report in the hope that it will induce further studies which will provide more accurate data on these activities in the future.

Brief Organisation History²

THE agricultural research system in India is a large and complex one. Furthermore, it has changed greatly in organisational form and in research emphasis in the post-1950 period.

The earliest institutions for research in agriculture were founded in the last quarter of the nineteenth century. During the pre-Independence period, research activities focused mainly on commercial crops such as sugarcane, coffee, cotton, tea, jute and to a lesser extent on rice. Organisationally, there were various central research institutes under the Ministry of Food and Agriculture and central commodity committees on sugarcane, tobacco, oilseeds, jute, coconut, lac and arecanut. There was little central co-ordination of these activities, however, though, in addition, each state operated its own, usually small, research stations. The research of that period was, however, of considerable significance in the cash crops — in particular, in sugarcane.³

The period after Independence has brought successive changes in the agricultural research system of the country. That the government has been very conscious of the need for these changes is seen in the fact that four high-powered committees have recommended changes in 1955, 1959, 1962 and 1963. The main thrust of the reorganisation has been twofold:

- (1) The Indian Council of Agricultural Research was revamped in 1964, bringing under its aegis (though not as subordinate institutions) the various research institutions operated by the commodity committees and all the central research institutes.

- (2) Since the late fifties, an agricultural university has been established in almost every state — the earliest being the UP Agricultural University at Pantnagar, the Punjab Agricultural University at Ludhiana, the Orissa University of Agriculture and Technology, and the University of Udaipur in Rajasthan. Most of these Universities have now taken over a large portion of the state research systems from their respective Departments of Agriculture.

It is this reorganisation that has made

possible the All India Co-ordinated Schemes in maize, wheat, rice and agronomy, among others. The research system is still, of course, in a state of flux and we expect that many more changes will accompany its inevitable expansion.

ALL-INDIA ESTIMATES

Table 1 summarises our efforts. It presents our best estimates of expenditures (in constant 1968 rupees) of research devoted to ordinary crop pro-

TABLE 1: INDIAN AGRICULTURAL RESEARCH EXPENDITURES, 1950-1968

(Crores of Constant, 1968, Rs)

Year	Crop Research	Lvstk Research	Speciality Crops*	Total	Research** Spending as a Per Cent of Agricultural Production
1950	3.49	1.06	.63	5.18	0.07
51	3.57	1.11	.65	5.33	0.07
52	3.72	1.15	.67	5.54	0.07
53	3.81	1.26	.69	5.76	0.07
54	3.94	1.45	.84	6.23	0.08
55	4.50	1.85	.88	7.23	0.09
56	4.86	1.97	.98	7.81	0.10
57	5.23	2.11	1.01	8.35	0.10
58	5.71	2.24	1.05	9.00	0.10
59	6.13	2.38	1.08	9.59	0.11
60	7.18	2.50	1.10	10.78	0.12
61	7.45	2.64	1.11	11.20	0.12
62	9.00	2.78	1.11	12.89	0.14
63	9.45	2.80	1.11	13.36	0.14
64	10.08	2.91	1.15	14.14	0.14
65	10.80	3.00	1.15	14.95	0.17
66	11.99	3.00	1.15	16.14	0.18
67	12.73	3.00	1.15	16.88	0.17
68	13.56	3.00	1.15	17.71	0.17

Notes: *Includes coconuts, tea, arecanut, lac and jute. Other crops included in crop research.

**Approximated from Indian Agriculture in Brief.

duction, to livestock production, and to specialty crop production. This series is compiled from our state estimates which are detailed in the Appendix to the paper. As the notes to the Appendix Tables indicate, certain adjustments — many of them 'judgemental' — had to be made in the course of the compilation. We feel that the adjustments are reasonable and that the resultant series reported in Table 1 is not subject to great error.⁴

Table 1 clarifies the major trends in research investment. Perhaps the most striking feature is the substantial real increase in investment in crop research, from Rs 3.5 crores to Rs 13.5 crores over the period. In absolute terms, the largest part of the increase has occurred in the second half of the 1950-68 period. Taking Robert Herdt's [6] estimate of roughly Rs 4.3 crores as the spending of the Central Government in the early 1960s, we have an indication that the states spent roughly one-half of the total. This figure has probably increased to roughly two-thirds by 1968.

It is also quite apparent that the relative weight of both livestock and specialty crop research has declined over the period — from 32 per cent in 1950 to 23 per cent in 1968. Research on foodgrains has increased most rapidly over the period. The percentage of agricultural product value invested in research activities rose substantially over the period, but continues to be low by international standards. Most developed countries invest approximately one per cent in agricultural research.

In Table 2 we present our estimates of the research expenditures which were directly related to specific crop commodities in 1968. These estimates are partially based on the data in Table 4.⁵ The Table shows that the commercial crops — cotton, jute, and sugarcane — continue to receive heaviest

TABLE 2: COMMODITY ORIENTATION OF INDIAN AGRICULTURAL RESEARCH EXPENDITURES, 1968

	Rice	Wheat	Maize	Millets	Sugar	Cotton	Jute
Estimated expenditures (Rs crores)	.74	.56	.16	.24	.51	.47	.12
Per cent of commodity value	0.035	0.082	0.080	0.042	0.10	0.22	0.15

emphasis, but to an extent far less than would have prevailed in 1950 (or in 1930 when commercial crop research dominated the programme). Actually, we do not have detailed data on commodity values for lac, tea, coconuts, arecanut, or spices, but these commodities appear to have higher research expenditures per rupee worth of product than those in Table 2.⁶

RESEARCH OUTPUT: PUBLICATIONS

Tables 3 and 4 present data based on two completely independent sources. They are, in fact, not measures of research investment, but of research output. Table 3 is a tabulation of publications abstracted in three international abstracting journals; *Plant Breeding Abstracts* [10], *Dairy Science Abstracts* [2], and *Biological Abstracts* [1].⁷ Table 4 is based on a tabulation of publications from *Indian Science Abstracts* [7]. Both Tables provide an important check on the expenditure data.

Table 3 provides a check on the change in research investment over time. Our expenditure data indicated that investment in the 1962-68 period was three times as great as in the 1948-54 period. Table 3 indicates that crop research publications increased by a factor of only 2.3 over the same period.

This does not seem unreasonable, since the real costs of doing research have tended to increase in almost all countries over this period. The publications data suggest a higher share for livestock-oriented research than is suggested by our expenditure data, but this is partially due to a relatively high publications-to-scientist ratio in dairy-related work.

The publications data also show a relatively high concentration of research on cotton and sugar. They indicate that the research concentration is becoming more equitable between commodities over time, as research per unit production of rice, wheat and millets — the major foodgrains — has increased substantially over time. We do not have good data on research on pulses and oilseeds, but our scanty information indicates that very little research on pulses has been undertaken.⁸

Tables 4 and 5 present data on a state basis. The two sets of data are reasonably consistent with each other. Table 4 allows a crude assessment of the statewide allocation of commodity research. Overall, there is a reasonable correlation between the location of research and the location of production. The five leading rice producing states — West Bengal, Bihar, Andhra Pradesh,

TABLE 4: COMMODITY ORIENTED PUBLICATIONS BY MAJOR INDIAN STATE: ABSTRACTED FROM INDIAN SCIENCE ABSTRACTS 1965-1970

State	Rice	Wheat	Maize	Millets	Sugar	Cotton	Total	Publications per Community Development Block
Andhra Pradesh	49	4	3	21	8	13	298	.69
Assam	4	1	0	0	0	0	66	.41
Bihar	31	22	17	5	26	4	344	.60
Gujarat	4	2	0	4	0	8	120	.54
Kerala	20	2	0	5	1	3	180	1.25
Madhya Pradesh	12	30	5	9	6	13	212	.51
Maharashtra	13	6	1	16	11	18	265	.62
Mysore	11	5	1	16	5	15	311	1.16
Orissa	90	0	3	2	1	0	168	.55
Punjab-Haryana	20	41	15	22	35	26	589	2.97
Rajasthan	9	27	12	38	6	14	496	2.13
Tamil Nadu	82	5	2	66	47	60	631	1.68
Uttar Pradesh	30	51	31	18	142	22	1264	1.41
West Bengal	74	4	3	2	5	1	360	1.05
Delhi	48	106	26	39	15	27	870	—
All India	468	285	115	258	298	260	6687	—

desh, Orissa, and Tamil Nadu — produce 60 per cent of India's rice and carry out 70 per cent of the rice research in India.

Uttar Pradesh, Punjab and Haryana produce 65 per cent of the nation's wheat, and undertake 32 per cent of the research. When the research done in Delhi is included, however, this region accounts for 69 per cent of the wheat research. The states of Uttar Pradesh, Bihar, Punjab, and Rajasthan, produce 63 per cent of the maize and perform 65 per cent of the maize research.

Research on millets is less concentrated in the leading producing states. Maharashtra, Mysore, Madhya Pradesh, and Andhra Pradesh, produce over two-thirds of the millets, but account for only 25 per cent of the research. Uttar Pradesh, the leading sugarcane producing state, conducts almost half of the sugarcane research in the country. The

other significant research states, Tamil Nadu, Punjab-Haryana, and Bihar produce less than 20 per cent of the nation's sugar. Gujarat, Maharashtra, and Punjab-Haryana, produce about 75 per cent of the cotton in India and perform only 20 per cent of the cotton research (30 per cent if Delhi is included).

These comparisons have obvious limitations, but it should be noted that the publications data in Table 4 are quite consistent with those in Table 3, even though independent sources were used. The publications data are less consistent, on a commodity basis, with the expenditure data in Table 2. We would not, however, expect a high degree of consistency here, since we know that there are systematic differences in publishing standards in different fields: It is simply easier to publish in some fields than others.

Our final set of data are in Table 5.

There we present, for selected years, annual research expenditures on crop production only (excluding specialty crops), by states. These data may be compared with those in Table 4 to obtain a crude consistency check. The Table shows that Uttar Pradesh is the leading research state by a wide margin. It is, of course, also the largest state, geographically and economically. We need some basis for comparison if we are to say anything about research intensities. The proper 'deflators' would be related to the extent and nature of the problems to be solved. We know that the problems facing agricultural researchers are related to climate factors which differ greatly over India. They are also partly related to the economic organisation of production. In Table 5 (and in the right hand column of Table 4), we have deflated research by the number of delineated community development blocks in each state.⁹

TABLE 3: COMMODITY ORIENTED INDIAN AGRICULTURAL RESEARCH PUBLICATIONS ABSTRACTED IN INTERNATIONAL ABSTRACTING JOURNALS, 1948-1968

	Rice	Barley and Wheat	Maize	Millets	Sugar	Cotton	Phyto-Path	Soils	All Crop	Lystk
(1) Orientation of Publications										
1948-54	258	61	53	86	255	357	292	123	1564	512
1955-61	274	170	70	139	245	394	450	189	1962	607
1962-68	517	253	101	264	259	435	1050	331	3456	1094
(2) Average Annual Publications per \$100 Million Commodity Value.										
1948-54	2.0	1.4	4.9	1.6	6.6	18.8	—	—	3.9	—
1955-61	1.6	2.5	4.5	2.0	5.1	19.4	—	—	3.6	—
1962-68	3.0	4.0	5.5	4.4	3.9	16.3	—	—	6.0	—

TABLE 5: CROP RELATED EXPENDITURES BY STATES, 1953-1968

State	Total Expenditures				Expenditures per Community Development Block			
	1953	1958	1963	1968	1953	1958	1963	1968
Andhra Pradesh	.353	.440	.569	.929	.79	.90	1.28	2.09
Assam	.119	.122	.122	.128	.74	.76	.76	.80
Bihar	.300	.450	.548	.548	.52	.78	.95	.95
Gujarat	.180	.320	.475	.900	.80	1.43	2.11	4.01
Haryana	.120	.188	.349	.496	1.46	2.29	4.25	6.05
Kerala	.050	.073	.128	.180	.35	.51	.90	1.26
Madhya Pradesh	.161	.171	.390	.595	.39	.41	9.3	1.43
Maharashtra	.176	.426	.593	1.390	.42	1.00	1.30	3.27
Mysore	.328	.437	.450	.720	1.22	1.63	1.68	2.68
Orissa	.245	.245	.548	.583	.80	.80	1.78	1.90
Punjab	.204	.320	.594	.845	1.76	2.76	5.12	7.28
Rajasthan	.113	.166	.735	.740	.49	.72	3.16	3.19
Tamil Nadu	.562	.700	.907	.919	1.50	1.87	2.42	2.61
Uttar Pradesh	.444	.591	1.452	1.712	.49	6.6	1.62	1.91
West Bengal	.100	.231	.364	.364	.29	.68	1.07	1.07
Delhi	.580	.890	1.290	2.451	—	—	—	—

Alternative deflators, such as the value of agricultural output, or harvested acreage would not alter the pattern in Table 5 greatly.

As the Table indicates, Punjab and Haryana have been investing clearly the most in research over the entire period (the separation prior to 1964 is in proportion to the number of blocks). In 1953 and 1958, Tamil Nadu ranked next, followed by Mysore. By 1968, Gujarat, Rajasthan and Maharashtra moved ahead of both of them. In 1968, the five states with the lowest research investment per community development block were: Assam, Bihar, West Bengal, Kerala and Madhya Pradesh. The latter three states ranked among the lowest five throughout the period, while Assam and Bihar ranked somewhat higher in 1953. Uttar Pradesh, Rajasthan and Maharashtra showed the greatest relative improvement over time.

The total publications data in Table 4 include speciality crop publications, and so are not strictly comparable to the expenditure data in Table 5. For example, West Bengal and Kerala rank higher when the speciality crop research is included. Other than these two states and Gujarat, however, the publications data and the expenditure data (for 1963) are well correlated.

In this paper, we will not attempt to relate the research programme to the economic performance by states. We will only note the obvious. By any standards, the leading states in economic performance during the 1956-71 period have been Punjab-Haryana and more recently Gujarat. The states with the poorest economic performance in the decade are also those lowest in the research ranking.

The Appendix provides state expenditure time series and notes on the calculations. We should again note that this is in no sense an 'official' data series. It contains numerous judgments on our part. We developed it because an official series does not exist and will not be produced for the time period in question. Even today, no official agency of the Indian Government is systematically collecting annual data on this activity. It is our hope that this set of data will be improved through criticism by others and through provision of further information.

Appendix

TABLE AND NOTES

The Appendix Table provides state-wise time series data on annual crop research expenditures. The basic data

source is *The Directory of Scientific Research Institutions in India* [11]. This directory lists data for some 285 research institutions working on agricultural research. It does not include all existing research institutions. Some rather obvious omissions were several of the new Agricultural Universities. We have estimated the budgets of these Universities by comparing them with Universities for which data do exist. Most of the Universities are now administering the state research systems, which were expanded substantially between 1950 and the middle-1960s. The directory did not always provide separate data for each of the state stations, an it was not clear in some cases whether the University data included the state station data.

The 285 institutions, for which data were provided, really included more than 285 research units. That is, sub-stations were not usually treated as separate units. The total number of separate research or research-type units may exceed 500 and the directory may well have missed 100 or so. By and large, the omission of the smaller stations is not too serious. From the data on small stations that we do have, we can get a pretty good idea of their budget and staffing patterns. They would typically have budgets of Rs 25,000-50,000 and research staffs of two to five or so. Even 100 such stations would only account for 2 per cent of the total research budget.

The budgets reported in the directory need not reflect real research, of course. Most Universities, Institutes, and Colleges, reported budgets which included some teaching and extension work. On the basis of data from ICAR — which indicated that, of the total budget of IARI, only 75 per cent was actually spent on research — we made the following adjustments:

- (1) The budgets reported by all Research Institutes and Agricultural Universities (not research stations however) were multiplied by 0.75 to estimate the research component.
- (2) The budgets of agricultural colleges were multiplied by 0.5 to obtain the research component. This was arbitrary and based on the relatively larger teaching activity in colleges. In fact, our impression is that these colleges conduct very little research.

With these modifications, including the estimation of the budgets for universities which did not provide data, we obtained the 1968 figures. The next step was to construct a time series for each state. This was done in two alternative ways, from two independent

sources and represents the major check on our data.

We construct one series from the directory data, as follows:

- (1) Universities and Institutes established after 1950 were assumed to have had a budget one-half of the 1968 level at establishment, rising to the 1968 level over a period of five years.
- (2) Large Universities and Colleges and Institutes established prior to 1950 were assumed to have had a 1950 budget 1/2 the 1968 budget, rising to the 1968 level by 1960.
- (3) All small stations and Institutes with budgets less than Rs 10 lakhs were assumed to have maintained their 1968 budget levels from the data of establishment. (For example, state stations and PIRCOM stations).

A second time series was constructed by examining the budgets of each state in detail. These budgets have important elements of inconsistency, and early work with aggregate budget categories convinced us that the expenditures under the general headings were of little value. All states have two such headings: (1) *Experimental Farms* and (2) *Agricultural Experiments and Research*. On examination of the detailed budgets, it becomes quite clear that much non-research activity is included in these budgets. In fact, they overstated the research expenditures by approximately a factor of 2. Furthermore this overstatement was not consistent across states.

We thus had no alternative, but to go through the detailed budgets for each state for several years and select the obvious research expenditures by the state governments. We also identified payments to the states by the central government through ICAR and the payments made by the various Central Commodity Committees. This involved some judgments, but most non-research activity, such as fertiliser schemes or extension activity, was obvious.

We examined the two alternative series for major inconsistencies. Most inconsistencies were obvious, such as missing University budget data. When these were checked we found a surprisingly good correlation between the two series. For the early 1960s, the two series were within 10 per cent of each other for all states.

A final modification was made on the grounds that for the late 1960s the Directory data were most reliable, and that for the early 1950s the state budget data were most reliable. The Directory series was modified for several states for the early 1950s to bring it in line with the budget data, and this is the final series on which the paper is based.

Appendix Table

ANNUAL AGRICULTURAL RESEARCH EXPENDITURES BY STATE (ADJUSTED)

	Andhra	Assam	Bihar	Gujarat	Kerala	MP	Maharashtra	Mysore	Orissa	Rajasthan	Tamil Nadu	UP	West Bengal	Haryana	Punjab	Delhi
1950	3,530	1,187	3,000	1,796	392	1,429	1,555	3,115	2,451	1,112	5,984	3,731	797	1,069	1,821	5,000
51	3,530	1,187	3,000	1,796	449	1,528	1,654	3,216	2,451	1,112	5,375	3,731	797	1,069	1,820	5,200
52	3,530	1,187	3,000	1,796	502	1,528	1,764	3,216	2,451	1,112	5,495	4,439	984	1,070	1,821	5,500
53	3,530	1,187	3,000	1,796	502	1,613	1,764	3,276	2,451	1,131	5,615	4,439	984	1,200	2,042	5,800
54	3,530	1,187	3,000	1,847	502	1,613	1,764	3,461	2,451	1,316	5,795	4,764	984	1,329	2,265	5,800
55	3,711	1,187	3,000	2,000	502	1,613	2,689	3,461	2,451	1,634	6,135	4,892	1,004	1,471	2,514	6,700
56	3,711	1,187	3,500	2,400	556	1,613	4,208	3,558	2,451	1,659	6,312	5,478	1,004	1,659	2,624	7,200
57	3,847	1,224	4,000	2,800	556	1,613	4,260	4,250	2,451	1,659	6,848	5,657	1,059	1,720	3,119	7,700
58	4,398	1,224	4,500	3,200	728	1,708	4,260	4,366	3,000	1,659	7,001	5,912	2,309	1,878	3,197	8,300
59	4,398	1,224	5,000	3,600	728	1,738	4,260	4,441	3,000	3,543	7,416	5,982	2,786	1,952	3,323	8,900
60	5,333	1,224	5,500	4,000	728	3,597	4,281	4,441	4,000	3,543	8,377	10,461	3,011	1,979	3,371	9,500
61	5,333	1,224	5,479	4,233	728	3,597	5,818	4,461	4,000	3,543	8,577	10,476	3,011	2,013	3,427	10,578
62	5,631	1,224	5,479	4,696	775	3,823	5,818	4,461	5,475	7,181	8,777	12,645	3,636	3,487	5,937	11,500
63	5,691	1,224	5,479	4,746	1,281	3,889	5,928	4,500	5,475	7,348	9,070	14,520	3,636	3,487	5,938	12,902
64	6,892	1,224	5,479	4,765	1,357	5,917	5,928	4,526	5,475	7,348	9,300	14,520	3,636	3,487	5,938	15,000
65	7,492	1,224	5,479	4,793	1,357	5,917	5,928	7,197	5,829	7,393	9,541	14,520	3,636	4,225	7,193	17,000
66	8,092	1,224	5,479	6,300	1,800	5,946	9,928	7,197	5,829	7,393	9,778	17,123	3,636	4,225	7,193	19,500
67	8,092	1,284	5,479	8,000	1,800	5,946	9,928	7,197	5,829	7,393	9,778	17,123	3,636	4,225	8,448	22,500
68	9,292	1,284	5,479	9,000	1,800	5,946	13,928	7,197	5,829	7,393	9,778	17,123	3,636	4,961	8,448	24,513

Notes: Specific Adjustments

- (1) Adjustments made to college and university data.
- (2) The 1950 to 1960 Directory series was scaled downward by Rs 850,000 to make it consistent with State Budget data.
- (1) The Tea Research expenditures are not included in the series (they are included in the speciality crops series Table 1).
- (2) Assam Agricultural University is not included in the series. No estimate of the contribution was attempted.
- (1) 1950-1955 expenditures based on budget data. 1955-60 interpolated between budget and Directory figures.
- (1) Budget Adjustment for 1950-1955 — Interpolations to Directory figures 1955-60.
- (1) Expenditures for rubber, coconut and arecanut included in speciality crops series.
- (1) Series consistent — standard adjustments.
- (1) Estimates of expenditures for Poona and Nagpur Agr Colleges made, 1950 (Rs 750,000), 1960 (1500), 1968 (11,000) interpolation in the intervening years. [These are probably a little high.]
- (1) Arecanut and coffee research included in speciality crops.
- (1) Budget data on State research stations added to Directory series. (Rs 5,77,000 in 1968, Rs 2,22,000 prior to 1964).
- (1) University adjustment is 50 per cent instead of 75 per cent since it is not an Agricultural University.
- (1) 50 per cent of Faculty of Agricultural Anamalai University, S Arcot estimated to be research expenditure.
- (1) Estimated research expenditures on APAU, Pantnagar of Rs 7,500,000 based on PAU, Ludhiana budget.
- (1) Birla Agricultural College budget estimated to be the same as Bihar Agricultural College.
- (1) The composite series prior to 1965 was divided by the ratio of Community Development Blocks in the two States.

On the Essence and Manifestation of Capitalism in Indian Agriculture

Ranjit Sau

The question of the degree and trend of capitalist development arises in the context of defining the strategy and tactics of class struggle. The basic question, then, is twofold: (a) whether and to what extent capitalism has already penetrated and is penetrating Indian agriculture and industry; and (b) whether capitalism can develop in India, and if it develops what its character would be.

The nature, extent and trend of the development of capitalism in agriculture as much as in industry in any country in all historical periods are necessarily and fully manifested in the existing class relations and the dynamics thereof, which in turn dialectically interacts with the pace of capitalist development.

To have a look at the data of wage-labour and/or of the capital stock, without any analysis of the underlying class relations, and to pronounce on its basis on the extent and trend of the development of capitalism is to betray ignorance about the essence of capitalism in the sense of Marx.

IN a review article on Gunder Frank's remarkable book, "Capitalism and Underdevelopment in Latin America", I have raised certain questions about his concept of the essence and manifestation of capitalism.¹ His latest note in this journal has further clarified his concept.² But thereby it has only confirmed any interpretation of his contention as well as my comments thereon. However, my earlier remarks call for an elaboration in the light of Gunder Frank's note.

Meanwhile, in the pages of this journal a debate is going on with regard to the nature and extent of capitalism in Indian agriculture. The exchanges have been occasionally reduced to personal carjature and a parade of 'eight-legged essays'. At any rate, the basic issues yet remain very much open. Besides, it seems to me that in the maze of the polemics, the fundamental perspective has been lost sight of. As Marx says, "the very formulation of the problem carries its own solution".³ In this case also the problem yet remains to be formulated in the correct perspective.

I

Marx gives the *differentia specifica* of the capitalist mode of production as follows: "Labour-power is sold today, not with a view to satisfying, by its service, or by its product, the personal needs of the buyer. His aim is augmentation of his capital, production of commodities containing more labour than he pays for, containing therefore a portion of value that costs him nothing, and that is nevertheless realised when the commodities are sold. Production of surplus-value is the absolute law of his mode of production."⁴ This is not a mere isolated quotation torn out of context; indeed, it sums up the core of Marx's view on capitalism as a mode of production.

It is important that the above quotation is fully and clearly understood. In order to facilitate the subsequent discussion let us spell out its meaning in the form of the following three propositions which are not mutually exclusive.

Proposition A: The very fact that labour-power is sold does not *per se* imply capitalist mode of production, unless other conditions are satisfied.

Proposition B: it is certainly not capitalism if labour-power is purchased with a view to satisfying, by its service or by its product, the personal needs of the buyer of labour-power.

Proposition C: The fundamental aim of the buyer of labour-power in the capitalist mode of production is augmentation of his capital, that is, accumulation. In other words, the objective of the capitalist for the production of surplus value is accumulation.

A definition is a phrase signifying a thing's essence. To Aristotle, the 'essence' of a thing in turn consists of a set of fundamental attributes which are the necessary and sufficient conditions for any concrete thing to be what it is.⁵ By the 'essence' Lenin, however, means "one of the 'essentials', one of the principal, if not the principal, characteristics or features" of the definiendum. This is precisely how Hegel, too, puts the matter, while Aristotle in his *Metaphysics* continually grapples with it and combats Heraclitus and Heraclitean ideas.⁷ In any case, to Lenin 'the essence' and 'the necessary and sufficient conditions' are clearly not equivalent in the sense of one-to-one correspondence. When Lenin defines capitalism as "that stage where labour-power itself is a commodity"⁸ he gives the 'essence' of capitalism, not 'the necessary and sufficient conditions' thereof. In order to appreciate the following discussion it

is worthwhile to bear in mind the distinction between the *essence* on the one hand, and the *necessary and sufficient conditions* on the other. In the 'essence' of a thing Lenin locates one of the major necessary conditions of its being rather than the full set of its necessary and sufficient conditions.

Furthermore, the essence as such is one thing, and the *manifestation* of the essence is another. 'Manifestations' are "only the results of their [the 'essential features'] action on our sense-organs." When, for instance, one measures the degree of capitalist development in a country what one measures is not the essence as such but the extent of the 'manifestations' of the essence of capitalism. The essence — "where labour-power itself is a commodity" — is manifested in the employment of wage labour. "The employment of hired labour" is "the principal manifestation of... capitalism", according to Lenin.¹⁰

Which particular manifestation of the essence would be measured and how it would be measured in order to understand the degree of development of capitalism in a given case depends very much upon the nature and availability of data. In the course of his attempt to find the relative incidence of the capitalist system and the corvée system in Russian agriculture, Lenin observes, "first of all, no precise statistics are available on the matter, and it is not likely that they could be collected: that would require a registration not only of all estates, but of all economic operations performed on all the estates. Only approximate data are available, in the shape of general descriptions of individual localities as to the predominance of one or another system."¹¹ On another occasion he observes that "railway statistics provide remarkably

[The authors have relied heavily on two main sources in the compilation of research expenditures by state. They are: (1) *Directory of Scientific Research Institutions in India, 1969*, T S Rajagopalan and R Satyanarayana, Indian National Scientific Documentation Center, Delhi. (2) The Annual Budget reports of each State.

In addition, they have utilised three other sources for supplementary data:

- (i) The Annual Reports of the Indian Council of Agricultural Research.
- (ii) An unpublished paper by Robert Herdt, "Agricultural Research Expenditures in India", University of Illinois, mimeo, 1970.
- (iii) *Agricultural Research in India*, M S Randhawa, ICAR, 2nd edition 1969.

These latter sources do not provide information on the research supported by and performed by state government organisations. They are, however, valuable references to the work sponsored by the Central government.

The authors are indebted to V S Vyas for helpful comments.]

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Notes

- 1 See Fishel [4], for a summary of several studies. Also Hayami and Ruttan [5].
- 2 See Albert H Moseman, editor, [9] for a discussion of research systems in India and other Asian countries.
- 3 See Evenson, Houck and Ruttan [3] for a discussion of the contribution of Indian Sugarcane Research.
- 4 The closest agreement between the two data sources occurred in the early 1960s. We would judge that the plausible error from omissions is unlikely to exceed 10 per cent for this period and perhaps 20 per cent for the earlier period.
- 5 See page 9.
- 6 Our estimates are that between Rs 50 and 6 million rupees were spent on tea research in 1968, 1.3 on lac; 1.9 on coconut, and 1.0 on arecanut.
- 7 See Evenson and Kislev [8] for complete details and a comparison with other countries.
- 8 R Herdt [6] provides evidence that the Central Government does little research on pulses.

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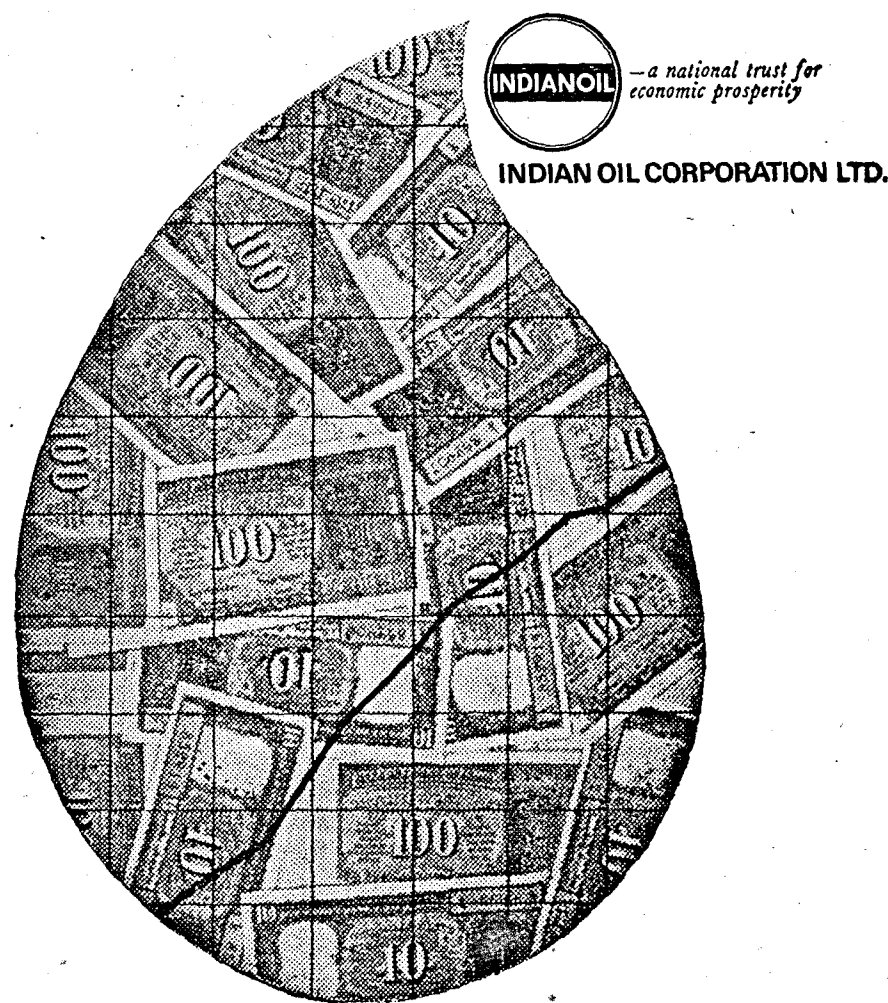
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Biggest by many standards

Indianoil—a small company in public sector in the early sixties—has now grown to be a giant oil organisation meeting 55 per cent of the nation's petroleum requirements. Emerging as the biggest corporate enterprise in public

and private sectors, Indianoil has achieved a record turnover of Rs. 2.5 crores a day (Rs. 862 crores in 1971-72). The largest profit-yielding company in the country — Rs. 37 crores for 1971-72 — Indianoil's total profits

have reached Rs. 105 crores. Biggest by several other standards, Indianoil is looking forward to a brighter future, ensuring the nation a total self-sufficiency in petroleum and its by-products.



exact data on the different rates of growth of capitalism and finance capital in world economy".¹² Of course, by no means is the growth of railway route-kilometres the essence of growth of capitalism and finance capital, but only its manifestation in one specific historical context.

No matter how its growth has been actually measured with statistical data, Marx's concept of the capitalist mode of production implies at the same time three things, namely, (a) the purchase of labour-power, (b) in order to produce surplus value, (c) with a view to augmenting the capital of the buyer of the labour-power.¹³ It should be noted that "the ultimate aim" of Marx's "Capital" is "to lay bare the economic law of motion" of the capitalist society in general,¹⁴ whereas Lenin has tried to apply Marx's law of capitalism in the particular historical setting of Russia, where the purchase and employment of wage-labour in the main implied production of surplus value as well as its reinvestment. But whether the employment of wage-labour is intrinsically linked up with the production of surplus value and the accumulation in a given historical stage in India is a question which has to be answered with concrete data for India; it cannot be answered *a priori* by invoking the fact that Lenin thought so with regard to Russia, or the United States, or Germany or some other European countries at a certain period.

Further, to argue that the employment of hired labour invariably and everywhere implies the production of commodity is simply fallacious. Labour-power may be purchased "with a view to satisfying, by its service or by its product, the personal needs of the buyer". Hence, the employment of hired labour does not necessarily result in the production of commodity and of surplus value. Moreover, the production of surplus value itself need not always lead to the augmentation of capital in all historical situations.

II

Marx's law of capitalist production holds as much in agriculture as in industry, although in agriculture the process of development of capitalism is immeasurably more complex and assumes incomparably more diverse forms.

As revealed by the Farm Management Studies in India, even the farmer with a tiny plot of land, less than one acre, employs hired labour. Evidently he also sells a substantial

part of the output in the market, presumably in order to meet the personal needs. If employment of wage labour is the sole criterion then this has to be classified as capitalist production, and he a 'capitalist farmer'. But certainly it goes against the Marxian concepts of capitalist production and capitalist farmer. For, according to Marx, a capitalist farmer is one "who makes his own capital breed by employing wage-labourers."¹⁵ "The prerequisites for the capitalist mode of production [in agriculture] ... are the following: The actual tillers of the soil are wage-labourers employed by a capitalist".¹⁶ And who is the capitalist? The capitalist is "the capitalist farmer who is engaged in agriculture merely as a particular field of exploitation for capital, as investment for his capital in a particular sphere of production".¹⁷

Evidently there is no basic difference between a capitalist in general and a capitalist farmer in particular. A capitalist farmer is a capitalist who "makes his own capital breed by employing wage-labourers" in agriculture as "a particular sphere of production". And Marx has defined a 'capitalist' in amply clear terms.¹⁸

In dialectic materialism, practice is the criterion of truth. In the specific historical situation of Russia at the turn of the century, and with the limitation of the availability of appropriate data, Lenin considered the employment of wage-labour as the principal manifestation of agricultural capitalism in Russia. But then he himself mentions in one place that it led to "an over-estimation of the degree of capitalist development in Russian agriculture". To quote at length: "While we correctly defined the trend of development, we did not correctly define the moment of that development. We assumed that the elements of capitalist agriculture has already taken full shape in Russia, both in landlord farming ... and in peasant farming, which seemed to have given rise to a strong peasant bourgeoisie and therefore to be incapable of bringing about a "peasant agrarian revolution". The erroneous programme was not the result of "fear" of the peasant agrarian revolution, but of an over-estimation of the degree of capitalist development in Russian agriculture. The survivals of serfdom appeared to us then to be a minor detail, whereas capitalist agriculture on the peasant allotments and on the landlords' estate seemed to be quite mature and well-established. The revolution [of 1905] has exposed that mis-

take; it has confirmed the trend of development as we have defined it" [but not the moment of that development].¹⁹

Marx's theory of capitalism has been confirmed by history. While armed with Marx's theory, Lenin to discern and measure the growth of capitalism in Russia. In his own words, he had to work with the data as they were available to him at that time and his findings were not always fully borne out by history particularly in the Revolution of 1905-1907. On India today there are much better data in terms of variety, richness and reliability. Also meanwhile nearly three quarters of a century with events of profound significance have passed by. Today, to mechanically copy Lenin's formula of measuring the degree of capitalist development in India, without having regard to the advancement of knowledge in the meantime is tantamount to a denial of the dialectical theory of knowledge; it is indeed non-Marxist, non-Leninist.

III

If the employment of wage-labour does not necessarily imply the capitalist mode of production, the re-investment of the surplus product also is not the sufficient condition for this mode. Loot, plunder and other forcible expropriation of the surplus product in India was one of the sources of primitive accumulation for the development of capitalism in England. But the primitive accumulation as such is not the result of the capitalist mode of production but only its starting point.²⁰ In the subsequent period, the surplus expropriated from the colony of India was accumulated in England. But then to claim that therefore the mode of production in India in the colonial period was capitalist to that extent is to commit the error of the other extreme, as compared to the 'thesis' that the employment of wage-labour always and in all historical situations implies capitalism.

Agricultural capitalism without the capitalist farmer is as much nonsense as capitalism without the capitalist. And there is no basic difference between the capitalist in general and the capitalist farmer in particular. Was the British colonialist who expropriated surplus from the zamindar a capitalist farmer in India in the Marxian sense of the term? Certainly not. Was the zamindar in British India a capitalist farmer in the Marxian sense of the term? Certainly not. The extent of capitalism in Indian agriculture during

the colonial days therefore cannot be inferred from the mere fact that the colonial expropriator re-invested the surplus in Britain.

True, the capitalist farmer need not reinvest the surplus value in the same farm or even in agriculture as such; the accumulation also need not take place within the geographical boundary of India. The point however is that agricultural capitalism is impossible without the capitalist farmer, and that neither the zamindar in India nor the British colonialist who expropriated surplus from India and accumulated it in Britain was a capitalist farmer in India so long as they did not produce agricultural commodity with wage-labour in India.

Wage-labour is possible without the capitalist to the extent that labour-power is purchased for satisfying personal needs of the buyer, by its service or by its product. But the capitalist is inconceivable without the wage-labourer. The capitalist farmer is the chief sign and surest indication of capitalism in agriculture.

IV

At the outset we have emphasised that the problem must be correctly formulated keeping in view the fundamental perspective. The question of the degree and trend of capitalist development arises in the context of defining the strategy and tactics of class struggle. If so, the basic question is twofold: (a) whether and to what extent capitalism has already penetrated and is penetrating Indian agriculture and industry; and (b) whether capitalism can develop in India, and if it develops what its character would be.

It is interesting to note that even though according to the Second Havana Declaration²¹ and Debray²² the Latin American economy, particularly its agriculture, is essentially feudal in nature, and whereas according to Gunder Frank²³ no part of the Latin American economy is feudal but it is already fully capitalist, they are nonetheless unanimous that the road to the fullest economic development of Latin America does not lie through further development of capitalism. Similarly, recognising that the then Chinese economy was semi-feudal and semi-colonial, Mao Tse-tung²⁴ in 1940 observed that Chinese capitalism could not develop in China in view of the national and international class alignments.

The nature, extent, and trend of the development of capitalism in agri-

culture as much as in industry in any and every country in all historical periods are necessarily and fully manifested in the existing class relations and the dynamics thereof, which in turn dialectically interacts with the moment and pace of the capitalist development. This is the basic lesson Lenin draws from the revolutions in Russia; this is also in line with the fundamental conclusion of Mao Tse-tung.

To have a look at the data of wage-labour and/or of the capital stock, without any analysis of the underlying class relations, and to pronounce on its basis on the extent and trend of the development of capitalism is to betray ignorance about the essence of capitalism in the sense of Marx.

Notes

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- 3 Karl Marx, "Theories of Surplus Value", part II, p 37.
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Philips India

PHILIPS India's sales for the year ended December 31, 1972, were Rs 49 crores — an increase of 5.5 per cent over 1971 (Rs 46.56 crores). Profit before tax for the year after charging Rs 1.48 crores for depreciation (Rs 1.28 crores) amounted to Rs 10.06 crores, as against Rs 11.57 crores for the previous year; the lower profit of the year reflects the inflationary pressure on costs. Profit after tax is Rs 3.4 crores (Rs 3.87 crores). Provision for tax is Rs 6.66 crores (Rs 7.7 crores). From the profit after tax Rs 15 lakhs (Rs 1.8 lakhs) has been provided for Development Rebate Reserve and Rs 10 lakhs (Rs 10 lakhs) for Debenture Redemption Reserve. Rs 6 lakhs (Rs 6 lakhs) has been released

from Development Rebate Reserve and Rs 39 lakhs excess provision for tax for previous years has been written back. An interim dividend, absorbing Rs 65 lakhs was paid in November 1972, leaving a balance of Rs 2.9 crores, which has been transferred to General Reserve (Rs 3.21 crores). For the year ended December 31, 1972, the Directors have proposed a final dividend of Rs 1.20 per share, subject to tax. The proposed final dividend together with the interim dividend of Rs 1.20 per share, less tax, will bring the total distribution to the shareholders for 1972 to Rs 2.40 per share. The proposed final dividend, if approved, will be paid out of the General Reserve.

Elite Farmer Strategy and Regional Disparities in the Agricultural Development of Pakistan

Hamza Alavi

Because the overall rate of growth of agricultural production in Pakistan had outstripped the rate of growth of population; by a simplistic arithmetic of averages, there was a tendency to assume only too easily that the result was a general prosperity for all classes of farmers and for all sections of the rural population.

In fact, the impact of the so-called 'green revolution' on the different strata of the rural population has been quite uneven. Because it was mainly those who cultivate large landholdings who have benefited most from the new developments and those who cultivate small holdings have benefited less, one consequence of the green revolution has been to widen disparities in income and wealth among the different strata of the rural population. It has also had the effect of widening the disparities among the regions. A further consequence of the green revolution, which follows from the secondary effects of changes in patterns of rural incomes and expenditures, is that in the case of those farmers whose physical farm output has not gone up, their real incomes have deteriorated absolutely, as result of the inflationary pressures and the greatly increased demand for manufactured consumer goods.

If such complex secondary effects of the green revolution are taken into account, it is not so surprising that it was in 1968—the year in which the biggest harvests ever had been reaped — that the entire country and the countryside erupted with popular discontent on an unprecedented scale. It is only in the aftermath of that political upheaval, that the 'achievements' in the agricultural sector have begun to be reviewed afresh and some of its contradictions and paradoxes have been recognised.

NEW developments in the agrarian economy of Pakistan, which began in the mid-fifties and gathered momentum in the sixties, culminated by the end of the sixties in unprecedented rates of growth of agricultural production. In West Pakistan, the rate of growth of agricultural production was only 1.4 per cent per annum in the First Five Year Plan (1955-60) and 3.8 per cent per annum in the Second Five Year Plan (1960-65). However, for the first four years of the Third Five Year Plan a rate of growth of agricultural production of 6 per cent per annum¹ was claimed. This was a considerable achievement. And, because this overall rate of growth of agricultural production had outstripped the rate of growth of population, by a simplistic arithmetic of averages, there was a tendency to assume only too easily that the result was a general prosperity for all classes of farmers and for all sections of the rural population. In fact, however, the impact of the so-called green revolution on the different strata of the rural population has been quite uneven. Because it was mainly those who cultivate large landholdings who have benefited most from the new developments and those who cultivate small holdings have benefited less, one consequence of the green revolution has been to widen disparities in income and wealth among the different strata of the rural population. As we shall show in the following analysis, it has also had the effect of widening the disparities among the regions. A further consequ-

ence of the green revolution, which follows from secondary effects of changes in patterns of rural incomes and expenditures, is that in the case of those farmers whose physical farm output has not gone up, their real incomes have deteriorated absolutely, as result of the inflationary pressures and the greatly increased demand for manufactured consumer goods. If such complex secondary effects of the green revolution are taken into account, it is not so surprising that it was in 1968 — the year in which the biggest harvests ever had been reaped — that the entire country and the countryside erupted with popular discontent on an unprecedented scale. It is only in the aftermath of that political upheaval, that the 'achievements' in the agricultural sector have begun to be reviewed afresh and some of its contradictions and paradoxes have been recognised.

Policies directed towards agricultural development — based on the recommended priorities of the 'Five Firsts' which were put forward by the Food and Agriculture Commission of 1960 — have consisted of providing heavily subsidised inputs, embodying modern technology, such as tractors, tubewells, fertilisers, pesticides, and new seeds. To facilitate access to these inputs, generous credit facilities were provided through newly created public institutions. Policies affecting procurement and prices of agricultural commodities were also revised in order to raise the prices. In theory, these benefits were

available for all farmers. But, in practice, the benefits have flowed largely to those with large landholdings. There is some evidence that those with very small holdings, who are no longer able to supplement the income from their tiny holdings by sharecropping, and who are being forced into debt because of inflation that has further eroded their diminished incomes, are compelled by their circumstances to sell their land. Sharecroppers are being evicted from their holdings, notwithstanding their legal 'security of tenure'; in many cases, instead of being evicted altogether they are being dispossessed of a substantial part of the land which they previously rented for sharecropping. Because of evictions and the growing shortage of land available for sharecropping, the terms of sharecropping have been altered to the detriment of the sharecropper. In general, then, the lowest strata of the rural population have benefited little from the green revolution and the position of many has actually deteriorated.

It is sometimes argued that, parallel with the erosion in the land holdings of the lowest strata of farmers, there is also a similar movement at the other end. The landholdings of the biggest landlords, too, it is said, are being reduced by sale because a new class of 'capitalist farmers' are buying up their land. It is, further, maintained that this new 'rural middle class' is quite distinct from the 'old landed aristocracy' whose land they are buying up. The landed aristocracy, it is argued, is losing both

	Poor Old Settled District: Rawalpindi (per cent)	Rich Old Settled District: Gujranwala (per cent)	Canal Colony District: Multan (per cent)
Number of farms			
Small farms (below 5 acres)	74	48	38
Medium farms (5 to 25 acres)	24	46	51
Large farms (over 25 acres)	2	6	11
	100	100	100
Cultivated area			
Small farms (below 5 acres)	31	11	7
Medium farms (5 to 25 acres)	58	64	54
Large farms (over 25 acres)	11	25	39
	100	100	100
Average cultivated farm area (acres)			
Small farms	1.3	1.7	1.8
Medium farms	7.3	10.6	10.7
Large farms	13.0	32.4	37.2

Source: Compiled from Pakistan Census of Agriculture, 1960, Volume II, West Pakistan.

TABLE 2: REGIONAL SHARE OF CROP PRODUCTION IN PAKISTAN

1964-65 Cropped Area	(Per Cent)								Population (Rural : 1961)
	Wheat 33.0	Cotton 9.3	Rice 8.5	Gram 7.6	Bajra 5.9	Jowar 3.6	Maize 3.0		
(i) Share of West Pakistan Production in 1964-65									
Baluchistan	1.7	—	0.2	—	0.2	4.5	0.37	2.8	
NWFP	7.0	0.1	1.1	7.4	4.6	6.9	51.0	20.5	
Sind	12.5	21.0	48.5	17.2	36.0	42.8	1.3	16.2	
Punjab	78.6	78.9	49.8	75.0	59.0	45.5	47.3	60.4	
<i>of which</i>									
Poor Old Settled Districts*	11.4	1.4	3.3	24.9	21.6	12.0	10.3	11.5	
Rich Old Settled Districts*	12.8	3.5	35.2	5.9	8.0	1.3	8.1	12.8	
Canal Colony Districts*	54.1	73.9	11.4	42.7	29.0	32.0	28.4	36.2	
(ii) Share of West Pakistan Production in 1967-68									
Baluchistan	1.6	—	0.2						
NWFP	6.2	0.1	2.5						
Sind	13.6	25.5	45.0						
Punjab	78.7	74.6	52.2						
<i>of which</i>									
Poor Old Settled Districts*	9.5	1.1	3.3						
Rich Old Settled Districts*	12.5	2.9	36.0						
Canal Colony Districts*	56.6	70.6	12.9						

Note: * The regions of the Punjab have been demarcated as follows: i) Poor Old Settled Districts comprise: Rawalpindi Division and Mianwali District; ii) Rich Old Settled Districts comprise: Lahore Division; iii) Canal Colony Districts comprise: Multan Division, Bahawalpur Division and Sargodha Division excluding Mianwali District.

Sources: This Table is compiled from (i) West Pakistan Agricultural Statistics (nd) for 1964-65 and (ii) Year Book of Agricultural Statistics 1968, for 1967-68.

economic and political power, which is being concentrated in the hands of the new rural middle class — the capitalist farmers. Such a picture is misleading and is not supported by facts. There are some landowners, especially a few who have ventured into commerce and industry, who are taking advantage of the inflated prices of land to sell

some of their underutilised land. But such landlords are few and far between. Most landowners, on the other hand, and especially the biggest among them, are investing their untaxed and inflated incomes in buying more land, for they see no other way of utilising their money. The bigger landowners are easily able to outbid all others in

In the context of West Pakistan, it would be quite misleading to make a sharp distinction between so-called 'feudal landlords' and 'capitalist farmers', for they do not constitute separate and distinguishable classes. Sharecropping and mechanised capitalist farming are two, often complementary, methods of exploitation of land. Moreover, those who give their land for sharecropping are not necessarily great 'absentee' landlords. Until mechanised farming was introduced, all landowners who owned, say, more than 20 or 25 acres, i.e. more land than could be cultivated by the family labour and a pair (or at most two pairs) of bullocks, would employ sharecroppers. Conventionally, 12.5 acres (half a 'square') of land is taken to be the maximum area which can be cultivated by one pair of bullocks. A large family of owner cultivators might employ two pairs of bullocks, but rarely more. The method of exploitation of land (and of sharecroppers) was identical in the case of very big as well as very small landowners. In this sense both belonged to the same class. There is generally little difference even in their respective styles of life. The large differences in wealth and economic power between them are generally reflected in differences in political power and dominance.² Therefore, big and small landowners may be looked upon as being located at opposite ends of a single continuum, indicating their different degrees of wealth and power, but without any structural criterion dividing them into separate and distinct classes.

The effect of farm mechanisation has not been to alter this basic grouping of landowners in a single category; it has not brought into being a new class of middle class capitalist farmers. It is the big landowners who have made the greatest progress in the direction of farm mechanisation. The difference between big and small farmers, is still that of the scale of resources that they employ in agriculture. According to the Survey of Farm Mechanisation in 1968, the biggest landowners — owners of more than 500 acres — held no less than 52.3 per cent of the land ('area owned') in the mechanised farm sector. They accounted for 43 per cent of the 'area operated' on all mechanised farms. Corresponding figures for those who owned between 200 and 500 acres were 25.4 per cent and 26 per cent, respectively, and for those who owned between 100 and 200 acres, 11.9 per cent and 14.5 per cent, respectively. Therefore, all owners of mechanised farms with holdings of more than 100 acres accounted for the bulk of the land in

the mechanised farm sector namely 89.6 per cent of the 'area owned' and 83.5 per cent of the 'area operated'. Far from being distinct from the capitalist farmer, the big landowner is thus himself the capitalist farmer. The full significance of these data can be grasped if we also consider the fact that, according to the 1960 Census of Agriculture, farms between 50 and 150 acres numbered only 2 per cent of all farms and those of above 150 acres were no more than one-sixth of that number, whereas farms between 25 and 50 acres were 6 per cent of the total number — or three times as many. But the latter accounted for only 6.9 per cent of the 'area owned' in the mechanised farm sector and 9.9 per cent of the 'area operated' in that sector.³ These figures indicate a much greater concentration of mechanised farming in the bigger holdings and do not support the view that it is in the medium-sized farms that 'capitalist farming' is concentrated.

The only structural difference between farm mechanisation on large holdings and that on medium-sized holdings is that, in the case of the latter, the owners have evicted sharecroppers in order to resume land sufficient for cultivation by tractors. In the case of the former, however, the practice has been not to evict sharecroppers altogether but to take over from sharecroppers, a portion of the land as required for mechanised cultivation, and to retain sharecroppers with diminished holdings as tied sources of labour needed by the big landowners to cope with the seasonal harvest operations. This difference in itself may be only transient, if present policies — which cater to the demands of the big landowners regardless of the consequences for sharecroppers — are continued. Introduction of mechanical harvesting and threshing will eliminate the need for the big landowners to retain sharecroppers as a tied source of seasonal labour. Then they will have every incentive to push the mechanisation of cultivation of their land further by introducing more tractors and harvesting and threshing equipment. Only then will they evict all their sharecroppers. At the present time, therefore, a distinction may be made between medium-sized landowners who have adopted mechanised farming techniques and for whom the constraint (apart from capital) is land rather than labour so that they evict their sharecroppers, and big landowners for whom the constraint is labour rather than land and who therefore tend to retain their sharecroppers on diminished holdings. But this does not differentiate their economic roles or interests in a fundamental way,

TABLE 3: SOURCES OF IRRIGATION WATER IN THE INDUS PLAIN

	Canals	Private Tubewells	Public Tubewells	Persian Wheels	Total	Source of Data
1960 (MAF)	55	0.3	2.0	1.7	59	WAPDA 1964
1965 (MAF)	58	5.3	2.7	1.7	68	IBRD 1966
1968 (MAF)		13.0				Estimate (HA)

Source: See note (7).

TABLE 4: REGIONAL AVAILABILITY AND QUALITY OF GROUNDWATER (million acres)

	Cultural Canal Commanded Area with Groundwater with Total Salt Content of:			Total
	Less than 1,000 ppm	1,000 to 3,000 ppm	Above 3,000 ppm	
NWFP	0.6	0.1	nil	0.7
Punjab	11.8	4.0	3.9	19.7
Sind	1.8	0.5	6.7	9.0

Source: IBRD Programme for Development of Irrigation and Agriculture in West Pakistan: Comprehensive Report Volume 5 annexure 7, Water Supply and Distribution.

TABLE 5: DISTRIBUTION OF TUBEWELLS

District	Total Tubewells	Tubewells on Large Farms (above 25 acres)	Percentage of Tubewells on Large Farms
Gujranwala District	3,776	3,289	87
Multan District	3,076	2,639	86

classification as 'capitalist farmers' and 'feudal landlords', respectively. They have both adopted capitalist modes of production. The transitional dependence on sharecropping in the case of big landowners is complementary to capitalist farming. There is no conflict of class interest between the two groups. The same set of policies relating to the agricultural sector would suit them both and they stand united in the political arena — under the leadership of the big landlords.

The widening of inequalities in income and wealth between the different strata of agriculturists, as a consequence of the elite farmer strategy of the green revolution, has been the subject of a considerable amount of comment recently, especially in the context of parallel developments in India which have been subjected to more critical examination. But there is another aspect, no less significant, which also calls for comment. It is the effect of the green revolution and the elite farmer strategy on inter-regional disparities. This is an aspect which is highly relevant today; but it has received less attention than it seems to deserve. The importance of some of the problems which arise in this context was given official recognition for the first time in Pakistan, at the highest level, when, in the sum-

Study Group in the Planning Commission to report on problems of *barani* (rainfed) agriculture in West Pakistan. But research on problems which arise in this area has only just begun.

There are inter-regional differences in the structure of the agrarian economy of Pakistan, which originate from ecological differences and consequent differences in the patterns of historical development. However, in past discussions, inter-regional comparisons have focused almost wholly on natural differences and have therefore tended to obscure the underlying differences in economic and social structure. The Food and Agriculture Commission (1960), for example, distinguishes between the following regions of West Pakistan:

- Canal Irrigated Plains
- Submontane Regions
- Range Lands
- Hill Catchment Area

This is a simple ecological classification. The Commission does not offer any argument as to why some other (additional) criteria might not be relevant for a further elaboration of the regional pattern, in order to identify issues of public policy. Because such an approach emphasises 'given' natural conditions, the problems of each region appear to be specific to itself and we have no framework in which the problems of the different regions could be inter-related.

TABLE 6: DISTRIBUTION OF LAND IN THE MECHANISED FARMING SECTOR IN WEST PAKISTAN

Size of Holdings (acres)	'Area Owned'		'Area Operated'		'Average Area Operated' per Tractor (acres)
	Percentage of Total (per cent)	Average Holding (acres)	Percentage of Total (per cent)	Average Holding (acres)	
500 and over	52.3	1,317	43.0	1,231	714
200 — 500	25.4	342	26.0	334	270
100 — 200	11.9	156	14.5	155	145
50 — 100	6.9	81	9.9	82	79
25 — 50	2.5	43	2.8	44	42
Under 25	0.4	—	0.4	—	21

Source: Report on The Farm Mechanisation Survey, Tables 3 and 4.

TABLE 7: DISTRIBUTION OF LAND AMONG DIFFERENT SIZE GROUPS (per cent)

Farm Size	Number of Farms	Farm Area
Small Farms (under 5 acres)	49	10
Medium Farms (5 to 25 acres)	43	48
Large Farms (over 25 acres)	8	42

Source: Pakistan Census of Agriculture 1960, Vol II, West Pakistan, Table 3.

TABLE 8: DISTRIBUTION OF LAND BY TENURE (per cent)

Farm Size	Owner Farms Farm Area	Owner-cum-Tenant Farms Farm Area	Tenant Farms Farm Area
Small Farms (under 5 acres)	4.2	1.4	3.7
Medium Farms (5 to 25 acres)	14.6	10.8	22.0
Large Farms (over 25 acres)	19.4	10.0	13.0
Total Farm Area	38.0	23.0	39.0

Source: Pakistan Census of Agriculture 1960, Vol II, West Pakistan, Table 5.

Elahi, was perhaps among the first to pursue the question of regional differences in agricultural productivity systematically, in two articles which appeared in the *Pakistan Geographical Review*.⁴ As a geographer, Maryam Elahi focuses her analysis largely on physical factors, although at the outset she does recognise that "efficiency of agriculture reflects the influence of varied physical, economic, social and historical factors". The second of her two articles is a sophisticated attempt to rank different regions of Pakistan according to their relative efficiency in agricultural production, taking into account the yield of each crop and the cropping pattern. The weakness in her analysis seems to lie in the fact that she allocates an equal weight for every crop in ranking productive efficiency and, therefore, does not take account of the relative weights of particular crops in the national economy or in the economy of a particular region. But her study does focus on disparities among regions and relates them mainly to physical differences among the regions.

Another recent study on the subject is by Carl Gotsch of Harvard. Gotsch has computed differences in the rates of growth for the various districts of the Punjab.⁵ He provides valuable insights into various 'sources of growth' which

he breaks down into 'acreage effects', 'yield effects', and 'cropping pattern effects', and he examines the extent to which one or the other effect has been prominent in the growth of agricultural production in the different regions of the Punjab. He then examines the factors which have contributed to the predominance of one or the other effect in the growth of agricultural production in those regions. The critical variable in his analysis is provision of water.

An important additional variable, which might be considered in this context, is farm size; for, the structure of the agrarian economy of each region, as determined by distribution of land among different sized farms, vitally affects the prospects and problems of development.⁶ In West Pakistan, the structure of the agrarian economy — looked at from the point of view of distribution of farm size — can, moreover, be said to have derived from the historical development of each region, conditioned by the respective environments. One could thus distinguish, for example, between, four regions of the Punjab, which have quite distinct characteristics. These are:

- the Poor Old Settled Districts of the *barani* region
- the Rich Old Settled Districts which have good irrigation as

- well a good rainfall
- (iii) the Canal Colony Districts
- (iv) the arid and relatively sparsely populated Western Districts of Mianwali, Muzaffargarh and Dera Ghazi Khan.

Recent irrigation projects are changing the characteristics of the last group of districts. I have therefore not treated them as a separate category. In the discussion which follows, I have defined the Canal Colony Region as inclusive of Sargodha, Multan, and Bahawalpur Divisions, with the exclusion only of Mianwali District, which I have classified together with the Rawalpindi Division as constituting the region of the Poor Old Settled Districts. The districts of Lahore Division constitute the region of the Rich Old Settled Districts. I have chosen these somewhat awkward labels for the respective regions, mainly to emphasise the historical conditions of their development which have determined their present state.

The demarcation of the regions owes much to the natural conditions of the regions. To begin with, a primary distinction is established by the alignment of the iso-precipitation lines which differentiate the Northern region of the Punjab, consisting of the Rawalpindi and Lahore Divisions, that receives sufficient rainfall to permit *barani* (rainfed) cultivation. South of that region, until the advent of canal irrigation, the land was, by and large, an empty waste peopled mainly in the riveraines by semi-nomadic tribes who practised a rather perfunctory agriculture on strips of land irrigated by the annual riveraine floods. In some parts of this arid region, there were also a few scattered agricultural settlements around wells.

In the *barani* area, viz, Rawalpindi and Lahore Divisions, sufficiency of rainfall fostered a settled agricultural population from very early times. Therefore, I have referred to these regions as the Old Settled Districts. The long history of a settled agriculture in these districts is relevant because, as a consequence, land in these populous districts, has been subdivided from generation to generation, and the average size of farms in these two regions is now very small as compared, for example, with the Canal Colony Districts.

The *barani* region (or the Old Settled Districts) can itself be subdivided into two distinct agrarian regions, viz, (i) the Rich Old Settled Districts of Lahore Division and (ii) the Poor Old Settled Districts of Rawalpindi Division. The former region not only has good rainfall but there is additional water available to it from canal or well irrigation. The southern half of that

region (viz, Lahore and Sheikhupura Districts as well as much of Gujranwala District) has the benefit of canal irrigation. On the other hand, in the northern half of it (viz, Sialkot District and parts of Gujranwala District) where topography does not favour the extension of canal irrigation, ground-water supplies have been easily accessible and agriculture has been supplemented traditionally by wells operated by Persian wheels and now by tubewells. As a result, the region is highly productive. Rawalpindi Division, on the other hand, with the exception only of a part of Gujarat District, is almost wholly dependent upon rainfall for agriculture. There, groundwater is not easily accessible and canal irrigation is limited because of the region's topography. With the population crowded into small uneconomic farms, it is a very poor region.

In the dry zone to the south of the Old Settled Districts, before the advent of canal irrigation, large tracts of land, which had little value, were appropriated by big landowners. Introduction of canal irrigation, beginning from the turn of the century, transformed the agrarian economy of a large part of the dry zone. Colonists were brought in from all parts of the Punjab and sizeable allotments of land were made on a variety of bases including auctions. The average size of farms in this region is, therefore, relatively large. Not enough generations have passed to fragment these large holdings into the extremely small sized holdings which are typically found in the Old Settled Districts.

However, one factor has served to introduce a substantial number of small landholders and landless people into the Canal Colonies. Before 1947, a large proportion — although a minority — of the population of the Canal Colony Districts in West Pakistan consisted of Hindus and Sikhs who, at the time of 'the Partition' (of India) were driven out of the country. The evacuee land which they left behind was initially allotted, provisionally, to families of incoming refugees who were driven out from India, on the basis of one acre for every member of a refugee family. But later, after 1953, the evacuee land was re-allotted among the refugees on the basis of claimed holdings in India. This was land reform in reverse; those who could establish large claims acquired large landholdings, whereas others who could not do so lost what they already had. This great upheaval in landholdings, and the eviction of those who could not establish sufficient claim, has been, curiously, ignored by

those who have written about agriculture in Pakistan. But that measure has had a far-reaching effect on the agrarian economy of the Canal Colony Districts. One of its consequences was a large increase in the proportion of the agricultural population who had to look to sharecropping or labouring as a principal means of livelihood, because their landholdings had been diminished or taken away altogether.

Table 1 illustrates the pattern of landholding in the three principal agrarian regions of the Punjab which I have described above. I have chosen one district for each region for purposes of illustration.

The different regions have not shared agricultural prosperity equally; the region with a preponderance of small farms having progressed least. An index of the uneven distribution of agricultural wealth among the different regions of Pakistan is provided by statistics of crop production. The production of the principal crops of West Pakistan was distributed as shown in Table 2.

The data in Table 2, indicate wide disparities in the agricultural prosperity (or poverty) of the various regions of Pakistan; which can be judged by comparing their share in the production of the principal crops with the proportion of the rural population in each region. The prosperity of the Punjab is in marked contrast to the poverty of Baluchistan and NWFP. The Indus Plain (Punjab and Sind) where Bhutto scored his electoral victories, accounts for no less than 92 per cent of the wheat production, the entire cotton production, and over 98 per cent of the rice production of the country, with only 76 per cent of the total rural population. In the poorer region, more of the coarse cereals are produced relatively to wheat and cash crops such as cotton and rice. But the very large share, for example, of the NWFP in the production of maize must be viewed in the light of the fact that the total acreage under maize in the whole of West Pakistan was only 3 per cent of the cropped area as compared with 33 per cent of the cropped area under wheat. But in the Punjab itself, there are marked differences among regions. The production of wheat per capita in the Poor Old Settled Districts was about the same as that in the Rich Old Settled Districts in 1964-65. On the other hand, the latter had substantial lead in the production of other commodities, especially rice. The Canal Colonies had a dominating lead over the other regions in the production of wheat and cotton, as well as in other crops.

The above figures testify to the fact that, in 1964-65, there were already very marked differences in agricultural wealth of the different regions of West Pakistan. However, as a consequence of the pattern of subsequent development, these differences have been accentuated. For example, the above figures show clearly that the relative position of the Poor Old Settled Districts has worsened between 1964-65 and 1967-68. The relative positions of Baluchistan and NWFP have also deteriorated. The position of Sind improved marginally in the production of wheat; there was also a change in its cropping pattern, for it gained in its share of cotton production but lost ground in rice which is a major crop for that province.

II

The very substantial increase in crop production in Pakistan — the green revolution — followed the introduction, on a large scale, of new improved seed of dwarf varieties of wheat and rice, accompanied by a substantial increase in fertiliser use. But it could be argued that the key factor which made this development possible was the greatly increased (and more timely) availability of water through tubewell installation. An estimate of the contribution of various factors that contributed to an increase in agricultural production between 1960 and 1965, was quoted in the Third Five Year Plan. There was an overall increase in crop production of 26 per cent, which was attributed to the various factors as follows:

Increased output during Second Five Year Plan Period (1960-65) due to:	
	(per cent)
(1) Groundwater Development	9
(2) Additional Surface Water	4
(3) Fertiliser	5
(4) Plant Protection	4
(5) New Seed	3
(6) Other Factors	1
Total increase in output:	26

This estimate is based on limited data and it may not claim precision. Nevertheless, it plausibly indicates the relative importance of the various factors. Increased availability of water, either through tubewells or through canals, is rated highly and is said to account for half the total increase in output. Indeed, it might be argued that the increased availability of water was the crucial precondition for the increase in other inputs also — because adequate and timely watering is needed for increased application of fertiliser and these two, in turn, are necessary conditions for profitable cultivation of the high-yielding varieties of seed which in addition calls for (and benefits most

from) plant protection measures. One might, therefore, go so far as to say that tubewell development was the most important single factor which contributed to the green revolution. This is best seen by a comparison of the conditions of the Poor Old Settled Districts of Rawalpindi Division with the other regions. For in the Poor Old Settled Districts of Rawalpindi Division tubewell development has not gone very far and canal irrigation is absent. It is only the most Northern Districts of the Barani area — e.g., Mardan and Hazara — which receive relatively greater and more dependable rainfall, that have made some progress in introduction of new seed and greater use of fertilisers.

The relative contribution of tubewells to the increased supply of water can be estimated from the data in Table 3. In the quinquennium covered by the data in Table 3, tubewells accounted for no less than 63 per cent of the increase in water supply. But the pace of installation in the subsequent quinquennium was very much higher. According to data contained in The Report on Farm Mechanisation Survey, the number of tubewells installed in West Pakistan increased, from 31,600 in 1965 to 75,700 in 1968, or two and a half times. And its relative importance as a source of irrigation water is increasing progressively.

Tubewell development in Pakistan, however, is highly concentrated regionally, i.e., mainly in the Rich Old Settled Districts and the Canal Colony Districts of the Punjab. According to the 1968 Farm Mechanisation Survey, 91.2 per cent of the 75,700 tubewells in West Pakistan were located in the Punjab of which only 3 per cent were in the Old Settled Districts of Rawalpindi Division (which had, however, 10.9 per cent of the public tubewells installed in West Pakistan). It is sometimes argued that the shortage of private tubewells is due to the absence of adequate groundwater supplies in the region. But there is evidence that there is, in fact, considerable scope for tubewell development in many parts of this region, although the relative costs would be greater than in other areas as the water table is lower and the groundwater is more difficult and expensive to mine. The major obstacle in the way of a more rapid expansion of private tubewell development in the region, it would appear, is the preponderance of small farms in this area and the relatively higher costs. The backwardness of the Poor Old Settled Districts cannot, therefore, be

attributed wholly to natural factors, as is generally done. It is rooted essentially in the fragmented structure of its agrarian economy. A public tubewell development programme can achieve a great deal here. But lack of political influence, that could be brought to bear in the allocation of resources for this purpose, is an obstacle in the way of development of this region. For example, in 1967-68, the Basic Democracy Institute at Lala Musa had worked out a viable scheme for tubewell development in Kharian Tehsil which was vetted and approved by experts and given formal approval at the district level. But, ultimately the scheme never got off the ground because those who were committed to implementation of the scheme lacked the necessary 'political resources' to bring an adequate amount of influence to bear on the powers that be. It is vital for the development of the Barani Region that the potentialities for identifying such possibilities be explored in every part of the region and then pursued with determination.

Outside Punjab, there is very little tubewell development. It is limited to Peshawar Division which had 2.7 per cent of private tubewells and Khairpur Division which had 1.7 per cent. The prospects of tubewell development in NWFP and Sind are rather limited by the lack of accessible supplies of groundwater (although even the available supplies are not tapped adequately there) and the high degree of salinity of groundwater in Sind. An estimate of the regional availability and the quality of the groundwater supplies was given in the 1966 IBRD Survey Report as shown in Table 4.

The new importance which has been assumed by groundwater supplies as a source of water for irrigation raises new questions about the basis of regional allocation of surface water. The regional or provincial shares of surface water were determined when the development of canal irrigation was begun in the Indus Basin; at a time when supply of water from tubewells did not feature in the calculations of water resources. The situation now is radically different; and the matter is one of paramount importance to Sind, NWFP, and Baluchistan. The groundwater in Sind, for example, is highly saline as shown in Table 4. Most of it is unfit for agricultural use, and some of the water which is of marginal quality must be mixed with canal water to be useable for agriculture. In the circumstances, the inter-regional allocation of water resources justifies a fresh review which

has now been taken in hand.

The pattern of concentration of tubewell ownership has not only a inter-regional aspect but, within each region, it has also a stratification aspect. There is a high degree of concentration of tubewells on large farms. For example, a PIDE Survey of installation of tubewells between 1963 and 1965 shows the concentration of tubewells on large farms as shown in Table 5.

The concentration of tubewells by region and by size of farm, is paralleled by a concentration in tractor ownership. Of the total of 16,600 tractors in West Pakistan in 1968, 13,800 were in the Punjab; and of these, 9,900 were in the Canal Colony Districts and 3,300 in the Rich Old Settled Districts (Lahore Division). Of the tractors 94 per cent were on large farms of over 25 acres. According to the Farm Mechanisation Survey, from which these data are taken, the distribution of tractors by size of holdings of the tractor owner was as shown in Table 6.

In the case of large holdings, on which the 'area operated' averaged between 145 and 714 acres per tractor the 'operated area' is too large to be cultivated by a single tractor; the bulk of the tractors used being of 35 to 55 hp. On such large holdings, only a part of the land was under mechanised cultivation, the other part being cultivated with the help of bullocks, by sharecroppers. It is only in the case of smaller holdings that owners evicted sharecroppers altogether, to resume sufficient land for mechanised self-cultivation. On the larger holdings, sharecroppers have been retained, as mentioned earlier, with diminished holdings to provide a tied source of labour for seasonal harvest operations.

Land ownership is also highly concentrated. The degree of concentration cannot be determined precisely from the available published data. The Report of the West Pakistan Land Reform Commission (1959) contains some data which are admittedly inaccurate and is also quite out of date. The only source on which, for the moment, we might base some reasonable judgments is the Pakistan Census of Agriculture, 1960. The Census shows the distribution of land in West Pakistan according to farm size as shown in Table 7. These data on farms as operational units, under estimate the degree of concentration of land ownership, because almost half of the total farm area was sharecropped and much of the area of smaller farms belonged to larger landowners. The

distribution of land by tenure was as shown in Table 8. If it is assumed that large landholders owned, in addition to the land comprising large owner-cultivated farms (19.4 per cent of the total farm area), also the whole of the area under tenant farms and a part of the area under owner-cum-tenant farms, then it may be estimated that they owned nearly 70 per cent or more of the total farm area.

So far, I have emphasised the skewed distribution of resources in the agrarian economy, both regionally and among different strata of farmers. This raises a number of questions about the structure of the agrarian economy, viewed with reference to farm size, both in respect of the stratified relationships as well as the regional patterns which are the consequences of ecological and historical adaptations.

Two parameters are of special interest when considering the implications of farm size. One is that of technology, which determines the upper limits of the farm area which can be cultivated with a pair of bullocks and, say, two men. Conventionally, 12.5 acres (or half a 'square') is taken by farmers and landowners in canal colony districts, to be the maximum which can be cultivated by one pair of bullocks and their complement of human labour. Some place it at 10 acres. But the actual figure will, of course, vary according to the quality of soil, the conditions of agriculture (irrigated or otherwise), the quality of the animals, and so on. The conventional maximum of 12.5 acres is of significance as a yardstick, on which the farmers themselves base their judgments after making allowances for various factors. No landlord gives more than so much land to a tenant with only one pair of bullocks. Where a large tenant family has two pairs of bullocks, he may give them double that area of land, and so on. Similarly, with regard to self-cultivation, it is rare to find an owner-cultivated farm, which relies on bullock power, of above 25 acres. Owners of larger holdings have traditionally given them out for sharecropping. Tractors, on the other hand, call for much larger farms and one of the inevitable consequences of their introduction has been the eviction of sharecroppers by landowners, in order to resume sufficient land for tractor cultivation. One tractor is estimated to displace a dozen (or more) of bullock drawn ploughs. The amount of land available for sharecropping depends, therefore, on the degree of concentration of landownership and the method of cul-

tivation employed, i.e., whether by bullocks or tractors. In both respects, conditions vary among regions, and we can identify different patterns. In the Old Settled Districts, the amount of land available for sharecropping is limited because farms are small. But the same factor inhibits the spread of mechanisation. In the Canal Colony Districts there has been much land available for sharecropping. But the large holdings encourage mechanisation, which is rapidly diminishing the amount of land available for sharecropping.

The second parameter which is relevant to the set of problems we are examining, is that of the size of farms in relation to its capacity for generating a 'surplus' over subsistence needs, which would provide resources for investment and development as well as for raising consumption above the minimum. Empirically, there are obvious difficulties in determining the level of subsistence which can be considered to be a 'necessary' or a 'tolerable' minimum level. Even if a minimum per capita requirement for subsistence is established (arbitrarily) it would nevertheless be impossible to express it in terms of a definite size of farm required for subsistence — because that would vary with the number of the members in the family which it must sustain as well as differences in farm productivity. Even so, a crude 'average' figure for an 'average' family is not without practical value in dealing with the problem. An IBRD Survey (1966) estimated such an average minimum size of farms necessary to provide a minimum subsistence for an average family in a Canal Colony District to be five acres. With all the qualifications which we may attach to that figure when making use of it in our analysis, it is still a useful yardstick which provides a point of reference. We do thereby have some idea, however vague, of the order of magnitude of the farm size, so that a farm substantially below the estimated figure is likely to show a deficit and one which is substantially above it would be likely to yield a surplus.

Those whose farm holdings are too small for subsistence must look for alternative or supplementary means of livelihood. In the Canal Colony Districts, until recently, because the large holdings could not be cultivated directly by the big landowners themselves (with the help of bullocks), a substantial amount of land was given out for sharecropping. The farm economy in the Canal Colony Districts could absorb the available manpower because the

number of small holders and landless persons in those districts was comparatively small. In the Old Settled Districts, on the other hand, there was a very large number of persons with diminutive holdings, and the number of those with large landholdings was relatively smaller. The surplus manpower in these districts had, therefore, to be absorbed in employment outside the farm economy. Consequently we find two quite different patterns of employment in the two regions. In the Old Settled Districts of Rawalpindi Division, with numerous small farms and landless persons, there has been a considerable incentive for emigration to towns (or into the army) for employment. Those who found work outside the villages, have generally remitted money to dependents left in the village. The deficit farm economy has, therefore, depended heavily upon funds remitted from outside. In the Canal Colonies, on the other hand, such a symbiotic relationship with outside employment, does not exist on a significant scale.

These differences in the respective configurations of the self-sufficient farm economy of the Canal Colony Districts and the deficit economy of the Old Settled Districts, stem from ecological differences and the historical pattern of their respective development. But these differences are reflected also in the social and cultural patterns of behaviour in the two regions. A most significant difference has been that in attitudes towards education and in the actual progress of education in the two regions. If we examine the statistics of education, we discover the rather striking fact that the progress of education is actually much greater in the Poor Old Settled Districts of Rawalpindi Division than in the richer regions. The Census data probably even underestimate the greater progress of education in the Old Settled Districts, because the educated persons from those Districts emigrate from the village for outside employment and get counted as residents of other Districts where they happen to be in employment at the time of the Census. But their links with their village home usually remain close, and economically they play an important role in sustaining the economy of the village as they remit money home.

Finally, there is one further aspect of the regional pattern of the green revolution which merits attention, for it poses some central issues of policy. That aspect is the indirect consequences which follow from the changes in rural incomes. The Gross Provincial Product

from Agriculture in West Pakistan has almost doubled in the decade of the sixties. But the unequal distribution of the income from agriculture has brought about a manifold increase in the incomes of a small group of rich farmers and landlords in the Canal Colony Districts and the Rich Old Settled Districts of the Punjab. On the other hand, the incomes of small farmers in these districts and, especially, of farmers in other poorer regions have failed to improve, or have not improved in the same measure. The indirect consequences of the green revolution for the latter follow from the impact of the additional purchasing power in the hands of the former on the demand for and the prices of manufactured consumers goods. The main thrust of inflationary pressure derives primarily from the greatly increased incomes of this class of rich farmers, since the weight of agricultural incomes in the total national income accounts is very large. In 1967-68, it was 42 per cent of the GPP in West Pakistan, as compared with income from manufacturing which was only 16 per cent of the total.

The great increase in the incomes, and consequently in the expenditures, of the rich farmers has tended to draw heavily on the available flow of domestic

manufactured goods and imports. Economists who emphasise adverse changes in terms of trade for agriculture in relation to industry to demonstrate a worsening in the relative position of farmers, focus narrowly on price effects and do not take into account the income effects in the economy and the implications of changes in income distribution for the different sections of the national community. Despite the adverse changes in the terms of trade, rich farmers, whose inflated incomes are the primary cause of price inflation, nevertheless enjoy considerably enhanced real incomes, as indeed do the urban entrepreneurs whose profits multiply as a consequence. But other sections of the community both urban and rural have suffered as a consequence of the price effects of the changed income distribution. This applies not only to urban salaried middle classes and wage earners, whose real incomes have deteriorated, but also to other strata of farmers (and farmers in other regions) who have not profited directly from the green revolution and have lost by virtue of its indirect consequences.

The additional income which has passed into the hands of the rich farmers has not only increased the total of consumption expenditure; it has also been accompanied by a structural

change in the pattern of the consumption expenditure. The demand for manufactured consumer goods has expanded at a relatively faster rate and, because of the multiplication of the incomes of those who were already well-to-do, the overall increase in consumption expenditure has been accompanied by a relatively greater expansion in the demand for luxury goods — particularly those which are imported or which have a high import content. This "Engel's Effect" which is familiar to economic theory, can be readily observed in West Pakistan villages, and is testified to by traders who have prospered in this boom. I have not, however, come across any studies designed to examine and assess these changes. Yet this change appears to have contributed not only to the inflation of the prices of consumers goods in general but also, in particular, to the pressure on foreign exchange because of the higher import content of the additional consumption expenditure. Even in the case of investment in the farms, the preference for mechanisation too has added to greater pressure on foreign exchange resources. A consequence of the green revolution, therefore, has been the generation of large inflationary pressures and the deterioration in the real incomes of those who have not directly benefited

from it and also an increased pressure on foreign exchange resources.

The system of agricultural taxation and subsidies has served to accentuate disparities among different strata of farmers and different regions. This is because Land Revenue is levied on the basis of a flat rate per acre and is borne equally by all classes of farmers in a district, whereas the benefits from agricultural subsidies are distributed in proportion to the use of the subsidised inputs, so that the rich farmers who prospered most have also had the lion's share of the subsidies. Land Revenue rates do vary from district to district. But that variation does not reflect any rational basis for the differentiation; it is only the accidental result of history. The rates were originally established — in theory, at any rate — on the basis of productivity of the land in the respective areas. But many decades have passed since they were thus determined; and the assessments were, moreover, made at different times in different districts. There is no uniformity, therefore, in the basis of assessment. Land Revenue rates were to be raised slightly in 1962 on an *ad hoc* basis, and some token changes were made in a few districts. Intended changes in some other districts were not implemented. This has hardly helped to remove the irrationalities in the existing structure of land revenue rates, which in any case are nominal in their incidence on those with larger holdings. They vary from Rs 9.13 per acre in Lyallpur District to Rs 1.04 per acre in Hazara District, inclusive of 'cesses' on Land Revenue. The overall incidence of Land Revenue on agricultural incomes has been negligible, amounting in 1968-69 to no more than Rs 182 million as compared with the Gross Provincial Product from Agriculture in West Pakistan of Rs 14,797 million — i.e., about 1.2 per cent. A review of taxation of rural incomes as well as of subsidies, has long been overdue. The consequences of the green revolution in accentuating the inequality in rural income distribution — both regionally as well as among the different strata of the farming community, — makes it more urgent.

As I have indicated at the outset, the data on which my analysis is based are somewhat limited. The object of my paper is not so much to present firm and final conclusions on questions which arise in an inadequately researched problem area, but to outline themes to indicate some new directions in which research efforts might be fruitfully directed. It is only on the basis of a comprehensive set of studies, dealing not only with natural conditions

but also the structure of the agrarian economy and society of West Pakistan, that we can arrive at more confident judgments. On the other hand, certain broad features of regional differences in West Pakistan do stand out quite unmistakably, and the problems involved are too pressing to allow their solution to await the results of detailed and painstaking research which might satisfy the purist.

[This paper is part of a study of rural social structure and economic development in West Pakistan undertaken by the author at the Institute of Development Studies at the University of Sussex, under a grant from the United Kingdom SSRC.]

Notes

- 1 Government of West Pakistan, Planning and Development Department, "Economic Outlook for West Pakistan", 1969-70, Lahore 1969, p 30.
- 2 About the bases of political power in rural Punjab, see Hamza Alavi, 'Politics of Dependence — A Village in West Punjab' in *South Asian Review*, Volume 4, Number 2, January 1971.
- 3 Government of Pakistan, Ministry of Agriculture, Agricultural Census Organisation, A Report on the Farm Mechanisation Survey 1968, Lahore 1969, pp 13 and 14.

- 4 M K Elahi, 'Agricultural Land Use in West Pakistan', *Pakistan Geographical Review*, Volume 18, Number 2, July 1963, and 'Efficiency of Agriculture in West Pakistan' *Pakistan Geographical Review*, Volume 20, Number 2, July 1965.
 - 5 Carl H Gotsch, 'Regional Agricultural Growth — The Case of West Pakistan' *Asian Survey*, Volume VIII, Number 3, March 1968.
 - 6 Cf Hamza Alavi, 'The Structure of the Agrarian Economy of West Pakistan and Development Strategy', in *Pakistan Administrative Staff College Quarterly*, Volume VI, Number 3-4, September-December 1968.
 - 7 Data taken from "East-West Contrast in Pakistan's Agricultural Development", by S R Bose; Paper presented at the IEA Conference on Economic Development in South Asia (Kandy, June 1969)
 - 8 Bose quotes data from:
 - (i) WAPDA (Harza Engineering) "Programme for Water and Power Development in West Pakistan Through 1975" (1964)
 - (ii) IBRD (International Land Development Consultants): "Programme for the Development of Irrigation and Agriculture in West Pakistan", Volume 5, Annexe 7 — "Water Supply and Distribution".
- The output of tubewells in 1968 is estimated to be two and a half times that in 1965.

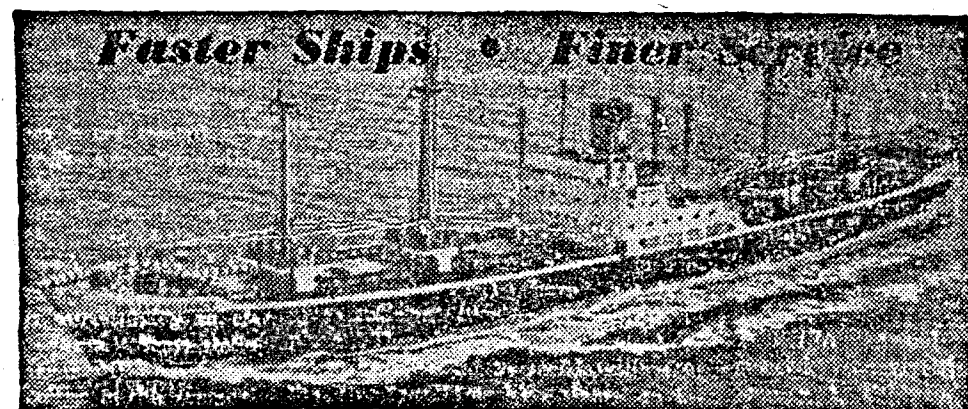
Britain's International Investment

A NEW assessment of Britain's external assets and liabilities published by the Bank of England shows that by the end of 1971 Britain's total external assets of £ 39,880 million exceeded its aggregate external liabilities of £ 35,645 million by some £ 4,200 million. An inventory of this nature assembles a wide variety of financial claims and obligations which differ both in degree of liquidity and method of valuation. But taking into account these limitations, Britain's private investment overseas, including portfolio investment of £ 5,500 million, totalled £ 14,910 million at the end of 1971. During that year the book value of its direct investment, excluding oil, increased by £ 470 million and included a number of major acquisitions abroad by British companies. This investment was mainly financed either by retained earnings or by foreign currency borrowing. The increase in 1971 of £ 100 million in oil companies' investment, however, is net of their borrowing abroad which was substantial in that year.

The valuation of British banks' and insurance companies' direct investment in the United States remained at £ 475 million and the market value of aggregate United Kingdom portfolio investment overseas has continued its gradual

decline in recent years, from £ 6,150 million at the end of 1968 to £ 5,500 million at the end of 1971. Some £ 3,000 million of the latter sum represents the value of investment in securities of countries outside the sterling area and the balance of £ 2,500 million the value of investment in overseas sterling securities.

The book value of net assets attributable to total inward direct investment in Britain was £ 5,235 million at the end of 1971. The growth during the year of some £ 250 million in the net assets of overseas oil companies at work in Britain included the further development of their North Sea oil and gas ventures. About one-half of the £ 300 million increase in inward direct investment in 1971 (excluding oil) represented retained profits, the balance including major acquisitions of loan and share capital. The increase in overseas portfolio investment in Britain of £ 650 million reflected both the strong recovery that took place in Britain share prices in 1971, and the provision from overseas source of £ 220 million of foreign currency to British companies, including £ 90 million by subscription to issues on the international bond markets.

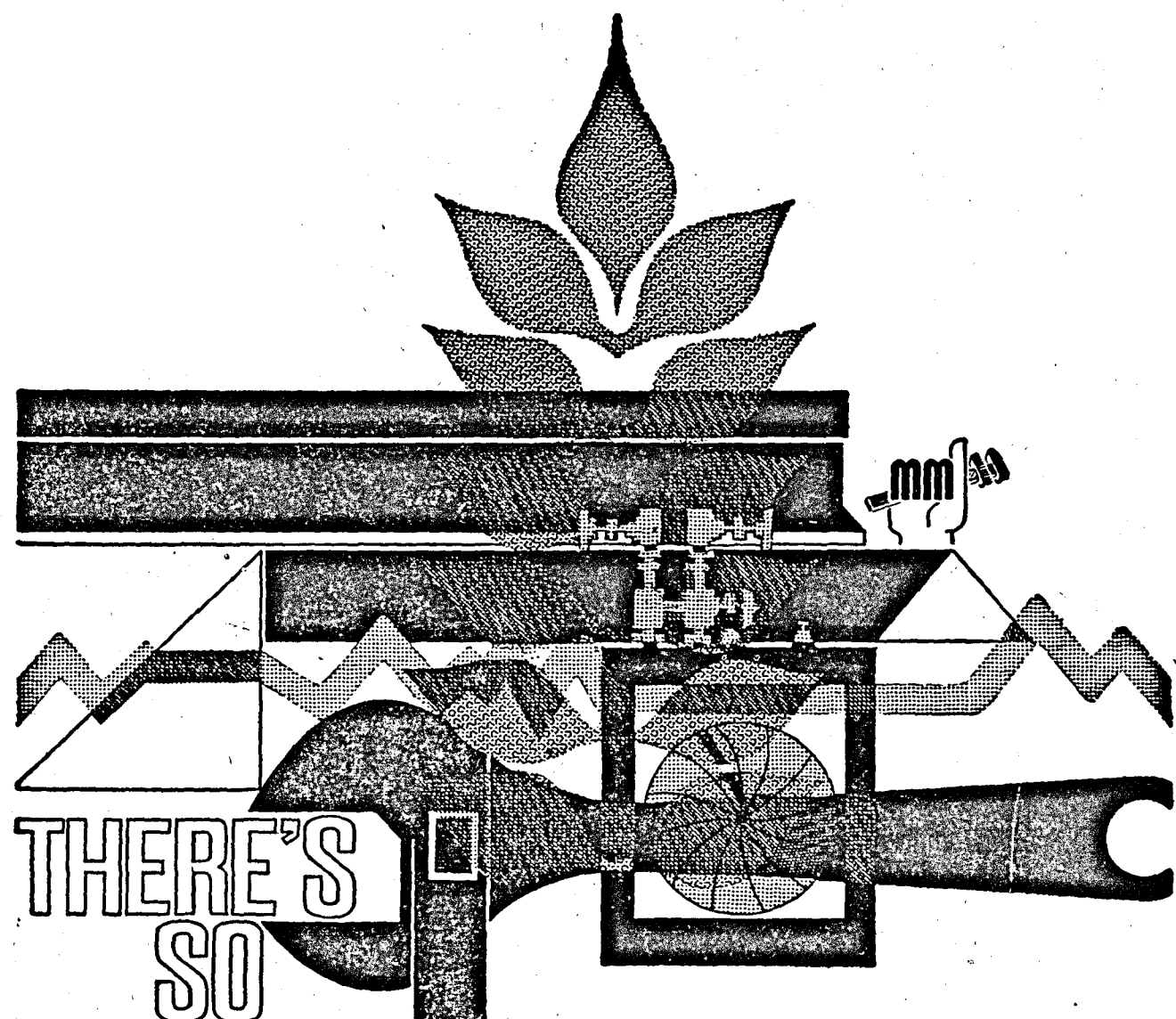


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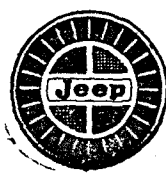
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they would proclaim independence "...even while a small part of our country and our capital are still in enemy hands".

His ambivalence concerning the independence of the Cape Verde islands first became evident in 1969. In that year, in an interview in the Cuban journal, *Tricontinental*, he made a totally confusing statement regarding the place of the Cape Verde islands, in the liberation struggle: "Something very important in this context is that the Portuguese have no problems in the Cape Verde islands. When we begin the action there the struggle in Guinea will be practically over. It is not an indispensable condition for the termination of the struggle; it can end without this prerequisite. But the day that the action is extended to Cape Verde, the struggle will be practically ended" (Cabral's emphasis). This ambivalent attitude towards the independence of the Cape Verde islands is very likely to have alienated those members of the PAIGC who were from the islands.

Similarly, Cabral's call for a dialogue with Lisbon surprised many within the PAIGC, as well as Lisbon itself. In November, 1971, he stated: "We do not want to bring the Portuguese to

their knees, but to reach a political solution". Yet, a few months earlier he had stated: "We have the elements of a state — our fight is to achieve liberation of our country".

In November, 1972, Cabral, on receiving no response to his dialogue call, declared that the liberated areas of Guinea-Bissau were to be declared an independent state early in 1973. But before this could be done he was assassinated in Guinea. Although he had been showing signs of turning counter-revolutionary, his role in the struggle for the liberation of his home land shows that during the larger part of the liberation struggle in Guinea-Bissau he had proved to be a great revolutionary.

It is a fitting epitaph to him that the movement which he helped to launch and organise is the most successful among all the liberation movements in Africa. The position of the Portuguese in Guinea-Bissau is grim. They are confined to the main towns and a few forts in the interior which can only be supplied by air-drops. Their days in Guinea-Bissau are numbered and partly due to the success of the PAIGC there are indications of growing disenchantment within Portugal about Portuguese colonialism in Africa.

REVIEW

The Missing Dimension

H S Verma

Air Pollution and the Social Sciences: Formulating and Implementing Control Programmes, Paul B Downing (Editor), New York, Praeger, 1971; pp xv+270; \$7.00.

THIS book forms part of a series of special studies in US economic and social development published by Praeger. It attempts to review the literature in the social sciences on air quality and related environmental quality issues. The air pollution problem is popularly viewed as the main concern of industrial biologists, engineers, and politicians. But it is far from so. It is as much of concern to, and draws as much upon, other disciplines as on industrial biology. The book under review considers the various facets of the air pollution problem as seen by the sociologist, psychologist, political scientist, lawyer, and economist.

The book contains a chapter each considering the problem from the point of view of these disciplines. In the process, gaps in the existing literature

on the subject become evident and areas for future research get identified. The editor himself has contributed two chapters — one as the introduction trying to define the central issues of interest to the social sciences and the second as the concluding chapter which presents a model for combating air pollution.

Downing, in the introductory chapter, states that society has been demanding better air quality, and for this it is willing to allocate more resources to the production of cleaner air than the market is currently allocating for the purpose. According to him, the problem of air pollution has persisted because of: (1) lack of effective polluter action; (2) lack of effective public action; and (3) lack of effective government control. However, in recent years,

public interest in improving environmental conditions has grown rapidly, becoming in some societies a leading political issue. There are four aspects to its solution which Downing discusses: (1) the desired level of control; (2) the technology and cost of control; (3) the attainment of resource reallocation; and (4) distribution of financial burden.

Molotch and Follett provide a sociological perspective on the problem of air pollution, drawing upon the general framework and basic concepts of their discipline. They review the few studies that comprise beginnings of sociological data on the subject of air pollution, and then venture to identify the areas for future sociological research. Awareness about air pollution (levels, forms and dangers inherent) among people, socio-economic characteristics of people who complain against air pollution, working of organisations engaged in fighting pollution, interests of various groups in environmental policies, community action, decision making on environment, policy planning, pollution standards in different societies, agencies administer standards and their working, are some major areas in which Molotch and Follett would like sociologists to contribute through their research.

Psychological and behavioural effects of air pollution are examined by Reynolds, utilising whatever research has been done in the United States and the Soviet Union. Reynolds notes that standards in the United States have been based primarily on levels of pollutants which induce pathological conditions, specially in the pulmonary system. The Soviets, on the other hand, have emphasised levels of pollution that induce changes in behaviour and electro-physiological responses in the central nervous system. Reynolds recommends three basic tasks for the psychologist: first, the effects of long-term exposures of monkeys to the principal air pollutants (ozone, nitrogenoxides and carbon monoxide), on reaction time, delayed match to sample, and visual discrimination. Second, on the addition of different levels of ambient temperature as a variable. And, finally, short-term studies might use data derived from these two tasks on the effects of pollutants and temperature on human performance.

Loveridge, then, examines the relationship of political science and air pollution. According to him, control of air pollution requires government intervention so that problems of air cleanliness become a political issue. He rightly avers that clear air depends more upon political decisions determined by

money and power than on development in science and technology. He notes that there is increasing interest shown by political scientists in policy analysis dealing with the problem. Dealing with the past research on the subject, he concludes that the political scientists have focused their research efforts on the policy processes and not on policy problems. Loveridge suggests review of policy process in terms of three stages: formulation, legitimization and implementation. This classification scheme adopts a quasi-systems model of the policy process. Formulation refers to inputs, legitimization to informal decision-making, and implementation as to what happens to decision outputs. Finally, he poses two research questions: what do we know? And what can we do? According to him, four kinds of projects merit attention: (a) responses, support, and demands of the public; (b) effectiveness of administrative control agencies; (c) analysis and evaluation of policy strategy and future control alternatives; and (d) the general study of the politics of air pollution across the nation.

LEGAL VIEWPOINT ON AIR POLLUTION

Krier presents the legal viewpoint on air pollution. Before controlling air pollution, the problem itself needs a proper definition. Drawing largely from the cases on the problem in the US, he brings out some of the shortcomings of the litigation, of the court as an institution for effective pollution control, and some desirable directions for investigation and change. He follows it up by a more systematic critique of these shortcomings and of the sort of palliatives that exist to contribute to a more effective institution. For purposes of discussion, he identifies two classes of problems: (a) problems of proof, and (b) problems inherent in the judicial process. He covers pollution control legislation and its administration in the United States. Government there has generally tried to attack pollution in essentially three ways: (a) by regulation, i.e. proscriptions and prescriptions backed up by punitive measures; (b) by subsidies or awards and (d) by charges, effluent fees. Krier emphasises the need to involve international institutions for controlling air pollution, backed by environmental quality studies and advisory councils. He also feels that there should be continuing work with regard to property rights as the interface between law and economics and into the bearings of recent insights on judicial and legislative schemes.

The economics of air pollution is

examined by Anderson Jr and Crocker. According to them, as development progresses, forces are typically unleashed that cause demands for a pleasing environment to be intensified, while, at the same time, environmental quality is unrelentingly degraded. It is the confluence of rising demand with increasing unavailability that seems to be the source of today's anti-pollution fervour. Allocation systems have not evolved in a manner permitting reconciliation of these tendencies. They then, go on examining the theoretical and empirical studies of (a) the emitter; (b) receptor; (c) general equilibrium models and (d) studies of institutional instruments of control. They review empirical work of emitter control cost functions through engineering and survey studies, and examine political, interview, response, and market behaviour studies. Aggregated systems and control instruments are also examined, assessing relative costs.

POLICY TRADE-OFF/ANALYSIS MODEL

In the final chapter, Downing summarises the material included in the five chapters representing five disciplines, placing emphasis on their policy implications. It uses this material and also information from other sources to develop a framework for the analysis of alternative policies available to decision-makers. He describes what he calls a 'policy trade-off/analysis model' in which he attempts, in a very tentative way, to interrelate the physical, economic, social, administrative and institutional aspects of problems that affect and are affected by any control

policy. While one may be sceptical about the implementation of such a model and doubt the comprehensiveness of the model and the directions indicated therein, one must also concede that the model is not bad as a beginning on which refinements could be attempted later.

PRACTICAL UTILITY LIKELY TO BE LIMITED

Wading through the material provided in the book and the collation done by the editor, one is left wondering whether research on the problem of air pollution should be conducted in such separate disciplinary compartments. Even a cursory look at the areas identified by each of the contributors would lead one to doubt the wisdom of undertaking this kind of exercise. For instance, the sociologist recommends analysis of the awareness of the problem, working of the organisations interested in fighting the problems, and decision-making on air pollution. Precisely these are also the areas in which research is recommended by the political scientist and even the economist. The reviewer would be more inclined to appreciate the outcome of a joint interdisciplinary research effort, in which each discipline would contribute to the realisation of the goal rather than look to further intradisciplinary work suggested in the volume. By far the most important fact is that decisions pertaining to control of air pollution, as Loveridge has rightly noted, are largely politically motivated and, as such, the practical utility of such studies in any society is likely to be very limited.

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Special Programmes for the Rural Poor The Constraining Framework

N S Jodha

The Small Farmers' Development Agencies (SFDA) and the Agencies for Marginal Farmers and Agricultural Labourers (MFAL), though regarded as institutional innovations to help the rural poor, represent an extremely modest approach insofar as they do not contemplate removal of the basic causes which have stood in the way of the small man's participation in the development process in the past.

The Special Schemes are to work within the given framework and will be totally dependent on the existing institutions for their effective functioning. They do not pretend to change the production strategy which implicitly recognises only the well-endowed farmer as a source of growth. They also do not contemplate any radical changes in the procedures and policies of rural institutions which again because of their bias for the better-off sections have neglected the small man.

In the circumstances, their direct support to the rural poor through widening their production base would be conditioned largely by the absence of worthwhile and viable side-activities in keeping with the small man's farm-level infrastructure. Their indirect help to the rural poor through area specific schemes through strengthening the infrastructure would have a built-in tendency to encourage leakages to the better-off.

The Agencies meant for the poor would thus not be serving the exclusive interests of the poor.

I

Focus on Rural Poor

PHILOSOPHICAL concern for the poor has been part of our heritage. Frequent reference has been made to the poor in the political and economic documents governing the course of the country. However, the poor have remained condemned to poverty. The reasons for this range from undiminished sway of the karma theory on the large masses to the precious little done in concrete terms to help the poor. However, in recent years, the problem has acquired added urgency. The alarming conclusion of the now oft-quoted studies on poverty that the extent of poverty has increased during the planned period and the slightly changed political alignments in the country, seem to have caused renewed concern for the poor. The concrete result has been the introduction of a number of special programmes for the weaker sections of the community. These programmes, meant for different sections, range from the Small Farmers Development Agencies to the provision of mid-day meals for pre-school children in slum areas. The important special programmes for the rural poor (which broadly include agricultural labour, small and marginal farmers, farmers in chronically drought-prone areas, and rural artisans, etc) are: Small Farmers Development Agency (SFDA), Agency for Marginal Farmers and Agricultural

Labour (MFAL), Drought Prone Area Programme (DPAP), and Crash Scheme for Rural Employment (CSRE).

The above schemes were started in selected areas on an *ad hoc* basis during 1969-70 and 1970-71, and as per official thinking, they are to continue during the Fifth Plan period. It would be too early to attempt any meaningful evaluation of their impact on the economy of the rural poor. Yet their effectiveness, as instruments for improving the conditions of the rural poor, can be judged *ex-ante* through a critical examination of their mode of working *vis-a-vis* the basic problems of the rural poor as well as the factors which were responsible for their relative neglect in past development efforts. This has been attempted with reference to the SFDA and MFAL agencies, which at times have been described as institutional innovations³ to help the rural poor (henceforth the term would stand for small and marginal farmers and agricultural labourers).

II

Special Programmes: SFDA/MFAL

The SFDA and MFAL projects represent an organised attempt to find institutional solutions to the problems of the rural poor who have remained largely neglected under our development programmes in the past. These programmes stem from one of the

principal recommendations of the All India Rural Credit Review Committee. The Committee, after examining the results of large-scale surveys as well as specific studies of the small farmers in different states sponsored by the Planning Commission and the RBI, came to the conclusion that co-operatives, extension agencies, as well as other government agencies, have failed to pay specific attention to the problems of small farmers. The committee therefore felt a need for some institutional set-up such as the SFDA to help these sections of the farm community. A complete scheme, with proper guidelines etc, was suggested. Government accepted it. However, it was realised that SFDA would cover only the potentially viable small farmers and that the vast majority of the rural poor were marginal farmers and agricultural labourers who would remain uncovered. Hence a new scheme for these sections (MFAL) was added. The rationale in the case of the latter was also same, but the programme content was somewhat different, putting greater emphasis on mixed farming and wage as source of income. Subsequently, some of the SFDA were asked to cover the marginal farmers and agricultural labourers along with the small farmer.

At present there are 46 SFDA and 41 MFAL projects in the country. The area of the former is generally a district and it is expected to benefit 50,000 small farmers. An MFAL

agency covers a smaller area and is expected to cover 20,000 marginal farmers and agricultural labourers over a period of five years. The land holding limit for a farmer to be eligible for SFDA assistance is 1 to 3 acres. The land holding limits adopted are *ad hoc*, and are not based on detailed income studies.⁵ The marginal farmers are those who own land below one hectare. Agricultural labourers have been defined as those having a homestead and deriving more than 50 per cent of their income from agricultural wages.

The SFDA/MFAL Agencies are autonomous bodies, registered under the Registration of Societies Act. They include district-level functionaries (including representatives of Zilla Parishads and District Co-operative Banks) and nominees of the Central Government. They are schemes of the Central sector, in the sense that they get their finances directly from the Centre and are not accountable to any state or district level authority. They are provided with a skeleton staff at the head-quarters of the project, consisting of a project officer and a few assistants. For actual operations and implementation of the programmes, the agencies depend entirely on the existing extension staff in the block and other development departments.

FUNCTIONS AND FUNDS

The principal functions of the Agencies are:

to identify the eligible participants for the programme, identify their problems and potential, and prepare a scheme for helping them;

to locate the institutional help and induce the institutions (through subsidy etc) to aid the identified activities; and

to create infrastructural facilities which may prove conducive for better performance in the activities followed by the participants.

The Fourth Five-Year Plan provides Rs 106 crores for these agencies — approximately at the rate of Rs 1.5 crores per SFDA and Rs 1.0 crore per MFAL project.⁷ Apart from the administrative expenditure on the Agencies, which is subject to 5 per cent of its total allotment,⁸ the funds of the Agencies are to be utilised for giving grants or subsidies to individual participants and to institutions which support the Agency programmes (e.g. co-operatives, agro-service centres, etc).

The financial help from the Agen-

cies is available to institutions like co-operatives, agro-service centres and others as an inducement, so that they would help the participants in the special programmes. For instance, these subsidies are available to credit co-operatives for recruiting additional staff and for building up their risk fund. Co-operatives and other agencies get subsidy if they set up supporting facilities for processing, marketing and storage (e.g. godown, transport vehicle, chilling plant, etc). Agencies providing other custom services also get help. Besides, the Agencies are to spend their fund on creating the required infrastructural facilities in the area. Rural works are also carried out in the MFAL areas. Individual participants also get subsidy for the current farm inputs (so that co-operatives would find them creditworthy) and capital investment (including purchase of milch cattle and birds for poultry farming) — the subsidy being high where group projects are taken up by them.

From their inception to end of May 1972, 15.80 lakh and 7.56 lakh participants have been identified by the SFDA and the MFAL, respectively. No data about their progress are readily available in sufficient detail to facilitate a worthwhile analysis. Yet, it has been reported that the two Agencies, taken together, have assisted 2.95 lakh participants; they have helped in the construction of over 28,000 wells/tube-wells and in the installation of over 9,000 pumpsets; they have distributed over 14,000 milch cattle and over 4,000 poultry birds; they have helped the disbursement of (short-medium- and long-term) credit exceeding Rs 32 crores. More than 13,000 persons have been assisted through rural works programme.⁹

III

Neglect of Rural Poor in the Past

For a proper understanding of the suitability or efficacy of the SFDA and the MFAL, as programmes to help the rural poor, it would be worthwhile to briefly consider the factors responsible for the relative neglect in the development efforts of the past.

To begin with, despite our professed policy of simultaneous pursuit of the twin goals of growth and social justice, the former has always received ascendancy over the latter in development programmes — including the development programmes in the farm sector. In agriculture, the central objective of all efforts — starting

from the grow more food campaign to the HYV and multiple-cropping programmes — has been increase in farm produce. This objective was sought to be achieved through improving and adjusting the factor supplies (including services and inputs) to the land factor. Thus all development efforts in agriculture got effectively concentrated on those who were well-endowed in terms of land (and other associated assets). By implication, the 'big farmer' was recognised as the 'source of growth', and the resource allocation within the farm sector got distorted in his favour.¹⁰ Consequently, extent of participation in the development process and share in the development gains became a direct function of one's pre-determined resource position. The small and marginal farmers owing to low and deficient farm-level infrastructures, obviously had limited capacity to benefit from the development strategy with its bias for the land factor.

In such circumstances, two ways were still open to help the rural poor. (1) To remove his disabilities by helping improve his farm-level infrastructure which was restricting his participation in the development process. (2) To evolve a development strategy in keeping with the features of his resource endowment (e.g. surplus labour and small or no land); this would have meant an emphasis on labour-intensive activities.

In the past, the first alternative was emphasised.¹¹ Attempts to help the poor were made through the State sponsored/patronised institutions, such as the co-operatives and the community development programmes. The co-operatives were expected to strengthen the position of the rural poor by providing liberal credit for production and investment. The CD Programme was much more ambitious and was introduced to effect a transformation of rural India, by creating infrastructure, providing extension services, and undertaking activities for the benefit of the whole village community including the weaker sections.

However, in course of time, it was discovered that these agencies have failed to help the disadvantaged groups. Instead, they have further strengthened the position of the already better-off sections of the farm community.

The fourth Evaluation Report of the PEO in 1957, observed that "... There is wide disparity in the distribution of achievements and therefore of be-

nefit of the programme... within a village it exists as between cultivators and non-cultivators and within cultivating classes it exists as between cultivators of bigger holdings and larger financial resources and those of small holdings and less financial resources".¹² The subsequent PEO reports also did not see any improvement in the situation.

The All India Rural Credit Review Committee in 1969 observed: "It is now generally agreed that the small farmers have not benefited in proportion either to their numbers or their needs from the various programmes of rural development which have been under implementation during the three Plans. Our review of record of the co-operative agency... confirms that this is also broadly true in regard to availability of institutional credit for agriculture."¹³

The failure of rural institutions to help the weaker sections may be attributed broadly to two factors. First, already discussed, is the emphasis on production (*via* the big farmer). The second relates to the superimposition of democratic institution on a non-egalitarian (and, therefore, undemocratic) social structure which prevented percolation of benefits to the lower strata of the rural community.

The emphasis on the first factor in the CD programme became quite apparent when during the Second Plan its whole approach was modified from a multi-dimensional to a rather single dimensional one. Expansion of agricultural output became the central objective and the principal test of the programme's success.¹⁴ This change was in response to the unanimous view of three study teams¹⁵ that, unless production performance of agriculture is improved, the CD programme would find it difficult to sustain itself. Hence "more energy and resources should be devoted to expanding agricultural output and less to other activities". The result was a selective approach to agricultural development, which reinforced the tendency of "growth through better endowed farmers", as discussed above.

In the case of the co-operatives (which are supposed to be the strength of the weaker), the tendency to discriminate against the small man was more apparent. This was inherent in their land-based credit policies,¹⁶ with creditworthiness of the potential borrower being judged in terms of his ownership of land (and related assets); consequently, the rural poor

had little chance to benefit from them.

As a result of the recommendations of the All India Rural Credit Survey Committee (1954), an attempt was made to improve the situation. The Crop Loan System — which attempted to make co-operative credit production-oriented rather than security oriented — was introduced. In 1969, the All India Rural Credit Review Committee found, however, that the new system was not adopted extensively. What is more, wherever it was adopted, the crop loan system itself tended to "stimulate a larger flow of credit to big cultivators insofar as they accounted for larger production."¹⁷

As regards the second factor, *viz.*, the implications of fostering democratic rural institutions on an undemocratic social structure, the following developments may be noted.

The Indian policy-makers had been partly impressed by the Gandhian view of 'harmonious village community' and partly guided by their own unrealistic hope that with proper State help and direction a decentralised democratic superstructure (both through co-operatives and the CD programme) could be created to ensure development and welfare of a composite rural community at each block level. However, this approach completely disregarded, or at least under-rated, the informal yet effective grip of the traditional caste and land-based power structure on the village community.¹⁸ The inadequacies of land reforms left the traditional power structure almost unchanged, and the same power structure in the villages, which had never been favourable to the weaker sections, derived new strength after the new democratic institutions were created at the village, block, and district levels.¹⁹

A few factors which proved instrumental in the process described above were: (1) the target-oriented programme of co-operatives and the CD, which required inviting everybody having influence on the masses to take the leadership of the new organisations;²⁰ (2) excessive State patronage to these programmes part of which degenerated into spoils of office or prizes for actual operators of the programmes;²¹ and (3) *de facto* recognition of 'the big farmer as source of growth' (necessitating a resource allocation favourable to him) which helped in legitimising the gains of the programmes cornered by the 'power operators' who were big farmers themselves.

Thus, in the ultimate analysis, rural institutions degenerated into instruments in the hands of the power groups, and all the hopes, that the rural poor neglected by production strategy would be looked after by the institutions, were belied. Consequently, even after completion of the three Plans, nothing had changed for the rural poor and, as Dandekar put it, "they must wait for the promised bread which will come at the end of the nth Five-Year Plan of overall economic development, where n is the eternal unknown."²²

IV

Potential of the Special Programmes

Having considered the factors basically responsible for the relative neglect of the rural poor in past development efforts, we may now examine the extent to which special programmes would prove effective in helping the rural poor.

The new Agencies for small and marginal farmers and agricultural labourers have no pretensions to changing the basic production strategy which implicitly considers the 'well-endowed farmer as a source of growth'. Nor do they intend to restructure the distribution of productive resources. Also, they do not contemplate radical changes in the structure and operational aspects of the existing rural institutions (which have neglected the small man). In other words, the special Agencies accept the *status quo* and want to help the poor by operating within the existing framework²³ with its built-in indifference (if not open hostility) to the small, resourceless man. Thus, to the extent that the poverty of the rural poor is the result of the factors discussed in the preceding section, it will probably persist, notwithstanding the special agencies. Considered in this way, the approach of the Special Agencies is too modest compared to the magnitude and basic causes of the poverty of their participants.

The Agencies propose to do their job: (i) by identifying and promoting the activities which the small man (with abundant labour and with small or no land) can follow with advantage, and (ii) by inducing or persuading other institutions to extend their help and services to the weaker sections. Hence the success of the Special Agencies would depend ultimately on how effectively these two functions are performed. In the absence of any past

record to guide us, the contemplated pattern of their working could perhaps throw some light on the potential effectiveness of the new programmes in solving the problems of the rural poor. This has been discussed below.

INSTITUTIONAL SUPPORT

Let us take the problem of institutional support first. The SFDA and MFAL Agencies are expected to make use of the existing institutions and agencies such as the co-operatives, community development panchayat institutions, and government departments. To activate these agencies (particularly the co-operatives and the extension agencies) *vis-a-vis* the rural poor, a two-pronged approach has been envisaged. On the one hand, direct help in terms of subsidies etc is being provided to the existing institutions to compensate them for the expenditure required for engaging additional staff, creating or strengthening the infrastructural facilities (including agricultural processing and custom-hire services), and for meeting the risk involved in helping the participants in the special programmes. On the other hand, the existing institutions are to be induced to help the participants by the Agencies presenting the latter's activities or enterprises before the former as economically viable propositions.

There is a merit in the above proposition in that it intends to present the small man too as a 'source of growth' and may thus remove one of the causes of institutional indifference to him. (Of course finding really viable activities particularly in the case of MFAL will be a difficult problem by itself.) But one may find it difficult to wholly agree with the another aspect of the proposition, which, by implication, assumes that lack of resources with the institutions or risk involved in the small farm enterprise were so largely responsible for the neglect of the small man in the past.

On the contrary, studies have shown that, despite certain inherent limitations of the small farmers, their performance in terms of repayment of co-operative credit etc has not been poorer than that of the big farmers. In fact, the extent of default was found to be more in the case of big farmers.²⁴ Reasons for this may range from initial overfinancing to the big farmers to their deliberate choice to default.²⁵ Similarly, efforts made in the past to induce the co-operatives

(through additional provision for risk funds etc) to help the weaker sections more liberally have failed to bring about very satisfactory results.²⁶

Finally, the biggest limitations of the above schemes *vis-a-vis* existing institutions is that they completely ignore the rigidities of the institutions emanating from the now widely admitted fact of their class- or caste-orientation.

If this phenomenon operated against the weaker sections in the past, there is no reason to expect its complete inactivity in the future — as long as the Special Agencies also operate through the existing institutions. The potential for such a possibility does exist at several stages of the operations of the Agencies — from selection of area and schemes to identification of the eligible participants.²⁷ Hence, if particular sections dominate the existing institutions, it would not be very difficult for them to influence the priorities and the flow of benefits from the Special Agencies to non-eligible sections and individuals. This gives rise to the problem of leakages in the special programmes for the rural poor. Some aspects of this are discussed below.

VIABLE ACTIVITIES

Apart from locating and activating the institutional support for the participants, another difficult task for the new Agencies is identifying the potential and economically viable activities which directly or indirectly help the poor. The contemplated activities are broadly of two types: (i) those relating to the individual farm/household, (ii) those relating to the area. The former are expected to broaden the production base of the weaker sections, either through intensive use of land surface (by ensuring supply of complementary inputs and services) or through adding new types of enterprises to the farm — such as dairying, poultry-farming, etc. The latter category of activities are largely of infrastructural nature (to be undertaken by existing or newly formed institutions and supported by the special Agencies) and would be conducive to a proper functioning of the activities under category (i); they would include measures ranging from provision of custom hire services to marketing and processing facilities to help the small man.

An important problem relating to the first category of activities is that, insofar as they are meant for indivi-

dual farms/households, at the time of providing new enterprises there is a strong possibility of ignoring the inherent limitation of the small man's resource base *vis-a-vis* the minimum degree of technical/economic specificities of activities suggested. The most talked about 'dairy to small man' is one case in point; factor proportions involved in a viable dairy farming enterprise being ignored while recommending it for a man with limited or no land.²⁸ Unless a minimum farm-level infrastructure, in terms of land base, organisational ability, risk bearing capacity, etc, is ensured, no additional enterprise of worthwhile size may prove a viable source of regular income. The Special Agencies, as it appears, intend to solve these problems through creating or arranging supportive services for their participants with the help of the co-operatives, agro-service centres, and other processing and marketing agencies etc. Hence the problems emanating from deficiencies of farm-level infrastructure are attempted to be solved by strengthening the area-level infrastructure. However, till the former remain weak the latter may not prove a great help. The consequence would be ineffective, or underutilisation of, supportive services and other facilities arranged for the small enterprises (and larger flow of benefits from infrastructural facilities to the better-off sections having the capacity to make use of them). One possible solution in such circumstances could be found through 'pooling' of the resource base and the enterprises of the participants in the programme.²⁹ But this is one of those very steps which have constantly been evaded in the past. What is different is that its necessity is being increasingly realised in the context of the working of the Special Agencies, as reflected in the discussions at the National Seminar on SFDA/MFAL Programmes, held in Delhi during April 1972.

AREA SPECIFIC ACTIVITIES

Regarding the second set of activities, *viz.*, those directed towards creation or strengthening of infrastructural facilities, there is an inherent problem of leakages. As these measures are area-specific, rather than class-specific, their advantages cannot be restricted to a particular section of the community. In all probability, a larger proportion of the benefits from these facilities (e.g. milk processing plants, godowns, market yards, trans-

port vehicles, agro-service centres, staff- and fund-wise strengthened co-operative institutions etc) would flow to those who are already better-off and well-equipped to make maximum use of the facilities.

In a way, these benefits to the not-so-poor may be regarded as leakages in the programmes meant for the poor. Their extent would vary according to the choice of activities, which in turn may be influenced by the well-off sections involved in operating these schemes as mentioned earlier. Thus, ultimately, one may be dismayed to discover that schemes designed to help the poor have helped those who were already better-off.

In fact, this is a dilemma inherent in the situation. It originates from the fact that there are not many 'class specific' and still viable programmes (like some activities requiring use of only manual labour) which can automatically prevent the benefits from flowing to non-eligible sections of the community. Secondly, no programme for the poor can sustain itself if it is delinked from the other activities operating in the area which are technically linked with the programmes suggested for the poor. In other words, the spatial dimensions of the 'class specific' programmes cannot be ignored.

Thus, the logic of the situation suggests that the Special Agencies, though meant for helping the weaker sections, would not in fact be serving the exclusive interests of the poor.

Moreover, in view of the ever-increasing demands on the Special Agencies to support or associate themselves with basic programmes — like exploration/exploitation of groundwater, land reforms (particularly consolidation), creation of infrastructure including setting up of processing facilities, provision for supply of cross-bred animals etc — and to co-ordinate and dovetail their programmes with the on-going development programmes in their respective areas,³¹ it seems likely that Special Agencies for the poor may be converted into area development agencies.³² This thinking is further strengthened by the limited experience of the Agencies that, in the backward areas with poor infrastructure, it is still difficult to help the poor. There is need for developing the infrastructure first. If the Special Agencies virtually convert themselves into area development agencies, the following implications would have to be reckoned with.

Taking the negative side (from the standpoint of the rural poor), their exclusive interest would be served to a still reduced extent. If the Agencies further concentrate on those growth-promoting activities in which the rural poor have little to contribute, the history of the neglect of the poor by the CD programme may repeat itself.

Taking the positive side, the rural poor may not stand to lose by virtual conversion of the Special Agencies into area development agencies as, in most cases, there is a convergence between poor areas and the poor classes.³³ Taking a more optimistic view, one may think of greater advantages for the poor if the area development programmes prepared by the Agencies are based on broadly defined factor-endowments of the region (of which the rural poor are a part). Here, one can expect higher priority to the programmes in which the rural poor may have a comparative advantage. But all these are big 'ifs'.

Concluding Remarks

To sum up, the SFDA and MFAL schemes, though regarded as institutional innovations to help the rural poor, represent an extremely modest approach insofar as they do not contemplate removal of the basic causes which have stood in the way of the small man's participation in the development process in the past. Nor do they pretend to change the production strategy which implicitly recognises only the well-endowed farmer as a source of growth. They do not even contemplate any radical changes in the procedures and policies of rural institutions which (again because of their bias for the better-off sections) have neglected the small man. In other words, the special schemes are to work within the given framework, and will be totally dependent on the existing institutions for their effective working. Their direct support to the rural poor (i.e. through widening his production base) would be conditioned largely by the absence of worthwhile and viable side activities in keeping with the small man's farm-level infrastructure. Further, their indirect help to the rural poor, through area-specific schemes (e.g. through strengthening the infrastructure), would have a built-in tendency to encourage leakages. In the net situation, the Agencies meant for the poor would not be serving the exclusive interests of the poor. Of course, one

can justify the special schemes serving the area, in the belief that poverty, in terms of area and class, converges.

[The author is thankful to V S Vyas, for his valuable suggestions while preparing this paper.]

Notes

- 1 Drought Prone Area Programme (DPAP) covering 54 districts was started with the basic objective of providing employment to the rural people in the dry areas with low resource endowment and at the same time creating productive assets which will mitigate the effects of droughts. Present thinking is towards directing and running these programmes with a well-thought-out strategy of development which can harness the potential of dry areas through schemes relating to resource conservation and animal husbandry.
- 2 Crash Scheme for Rural Employment was initiated to help agricultural labourer and small farmers who offer themselves for wage employment on public works. The scheme hoped to benefit about 1000 persons in each district on works which would create durable assets in the rural areas. In order to study the impact and problems of above programme a new scheme called Pilot Intensive Rural Employment Project (PIREP) was undertaken in selected 15 blocks under the CSRE in October 1971.
- 3 Gaikwad, V R, "Small Farmers: State Policy and Programme Implementation", NCD, Hyderabad 1971, p 63, 67.
- 4 For details see, Report of the All India Rural Credit Review Committee, RBI, 1969, Chapter 18.
- 5 In the initial stage, the RBI insisted on income criteria for identification of small farmers. However, the land holding criterion, more easy to operate, was accepted. Of course, depending upon the local circumstances, some additional consideration (e.g. source of off-farm income in the family etc) is taken into account. The possibility of farmers who are genuinely not eligible but still getting membership of the agency is always there. If all depends upon the interest taken by the personnel of the extension agencies who help in identification process.
- 6 For details see, relevant circulars of Government of India, extracts of which have been appended to Gaikwad, *op cit*.
- 7 See "Special Projects for Small Farmers, Marginal Farmers and Agricultural Labourers", A Note from Ministry of Agriculture, New Delhi, for the Seminar on Rural Development for Weaker Sections, October 1972, sponsored by the Indian Society of Agricultural Economics and held at IIM, Ahmedabad (Mimeo).

- 8 *Ibid.*
- 9 Minhas, B S. "Rural Development for Weaker Sections: Experience and Lessons", Seminar on Rural Development for Weaker Sections, October 1972, Ahmedabad (Mimeo).
- 10 Thomas Balogh, "while commenting on Third Five-Year Plan, observed as follows: 'The Government can either fully back the successful owners of viable type and hope for a 'bourgeois-entrepreneurial type of revolution on the land or it can energetically push the risk of new co-operative rural organisation, through determined leadership... The oscillation between the two policies... is likely to continue to hampering economic growth', ('Economic Strategy for the Third Plan', *Economic Weekly*, Special Number, February 4, 1961). From hindsight, it appears that by recognising the big farmer as a source of growth, the Government silently made a choice for the first alternative. In view of the above it would not be wholly correct to blame the official functionaries of the CD for their extra attention to big farmers. Their job, too, was to fulfil the production targets. The small farmers obviously were of not much use for them for meeting the production targets.
- 11 One hardly comes across any programme which had given central importance to labour. The most publicised rural works programmes always proved poor starters and became the first casualty whenever the resource constraints developed for the plans. For inherent inadequacies of these programmes see, Ranjit Gupta, 'Rural Works Programme: Where It Has Gone Astray', *Economic and Political Weekly*, Volume VI (20), May 15, 1971.
- Further, whenever labour-intensive projects became a necessity, the same were operated through contractor system the disadvantages of which for the labour are well known. Use of contractor system has been observed even in the case of 'Crash Schemes for Rural Employment' in some areas like Banaskantha in Gujarat.
- The labour-intensive activities under the CD programme have a yet different story to convey. In the name of people's participation, the poor contributed their labour and got employment at very low or little wages. Once the approach of the CD programmes got modified during Second Five-Year Plan to concentrate on raising agricultural production, the rural construction works practically ceased to be part of the CD activities. Thus precious little was done to sustain the gainful employment of the rural poor. Practically similar is the case regarding rural crafts and other occupations, from which the 'rural poor' could benefit.
- 12 PEO, "Evaluation Report on Working of CP and NES Blocks", (Report Number 4) April 1957, pp 19-20.
- Also see, Report of the Study Group on the Welfare of the Weaker Sections of the Village Community, Volume I, Min of CD and Co-operatives, Government of India, 1961 pp 6-10.
- 13 Report of the All India Rural Credit Review Committee *op cit* p 537. Also see, Rao, C H H, 'Farm Size and Credit Policy', *Economic and Political Weekly*, Review of Agriculture, December 26, 1970.
- 14 The following passages from the Third Five-Year Plan quoted by the Report of the Study Group on the Welfare of Weaker Sections in the Village Community *op cit*, pp 16, 35-36, would illustrate this approach.
- "... whatever little improvement (in agriculture) is possible, does in the very nature of things benefit the biggest land owners far more than the petty holders" ... (hence) "Much greater attention should be given in all activities to the needs of the less privileged sections". But at another place the document observes "... the growth of agricultural production is of such critical importance that... the principal test to be met by the community development must be its practical effectiveness as an agricultural extension agency."
- 15 These well known study teams were, (i) Balwantray Mehta Committee (1951), which gave the Report on Democratic Decentralisation at block and district level; (ii) the Ford Foundation Team of Agricultural Experts who gave Report on India's Food Crisis and Steps to Meet It and sold the idea of IADP (1959) and (iii) the UN Mission for Evaluation of Community Development in India. For detailed discussion see, Gunnar Myrdal "Asian Drama — An Enquiry into the Poverty of Nations", Volume II, London 1968, pp 1341-43.
- 16 Jodha, N S, 'Land-based Credit Policies and Investment Prospects for Small Farmers', *Economic and Political Weekly*, Review of Agriculture, September 25, 1971.
- 17 *Op cit*, p 563.
- 18 One gets this impression from at least two crucial developments in the past. First, the All India Rural Credit Survey Committee considered the existing landlord-money lender dominated rural structure as one of the 'reputed causes' of the failure of the co-operatives. They also found the stronghold of the same sections on the co-operative movement. (For details see General Report, Volume II Chapters 21, 22 and also 4 and 5). Yet their recommendations did not contain any measures to counter the aforementioned tendencies. Hence all the measures

suggested for strengthening the co-operatives in effect strengthened the position of those who constituted one of the 'reputed causes' of co-operative failures.

Secondly, regarding the CD programme the Fourth PEO Report for the first time indicated in April 1957 that the programme was developing as a class- or caste-oriented programme. According to the PEO, this was a matter of concern for the future of the movement. But within a period of seven months, i.e. in November-December 1957, the Balwantray Mehta Committee recommended, that through democratic decentralisation more powers should be given to the people. The consequence was Panchayat Raj System which further accentuated the process of the movement towards a class- or caste-oriented movement.

- 19 The consequence, as Daniel Thorner observed long back, was that the "traditional structure of village power has imposed and will continue to impose, its own pattern on the co-operatives". See 'Context for Co-operatives in Rural India' *Economic Weekly* Annual Number, February 1962.

Thorner talked of co-operatives but same is true for the CD and Panchayat Raj institutions. See Michael Lipton, 'Strategy for Agriculture: Urban Bias and Rural Planning' (in "The Crisis of Indian Planning", editor P Streeter and M Lipton Oxford University Press, 1968) Section on Village Power, Attitudes and Institutions pp 135-141.

Also see Gyanchand, "Socialist Transformation of Indian Economy", Allied Publishers, 1965, Chapter IV, 'The Agrarian Relations'.

- 20 Jodha, N S "A Study of Co-operative (Short-Term) Credit Movement in Selected Areas of Gujarat", Agro-Economic Research Centre, Vallabh Vidyanagar, 1973, (Mimeo).
- 21 *Ibid.*
- 22 Dandekar V M, in Seminar on Problems of Small Farmers, Indian Society of Agricultural Economics, Bombay 1968, p xvi.
- 23 Workshop on Small Farmers and Agricultural Labour Planning Commission, Government of India, July 1970, p 11.
- 24 Rao, C H H, *op cit*.
- 25 "Some Aspects of Long-Term Co-operative Agricultural Finance". (A Study of Two Areas in Gujarat) AERC Vallabh Vidyanagar, 1971, Chapter V.
- 26 Report of the Rural Credit Review Committee, *op cit*, pp 563-66.
- Even during the short period of the working of the Agencies it has been found in several areas that existing agencies do not readily co-operate in the programmes of the SFDA and the MFAL. (See Proceedings of National Seminar on SFDA/MFAL program-

mes held at Delhi, April, 1972, (Mimeo).

- 27 Even the Rural Credit Review Committee itself, which recommended the creation of SFDA, apprehended that big farmers in the guise of small farmer may attempt to seek advantage from the scheme. This needs to be guarded against. See Report, *op cit*, p 589.
- However, to the extent that representatives of existing institutions, like district co-operative banks, Zilla Parishads, etc, are also included in the membership of the Agencies, their role in influencing the priorities (favourable to certain sections), within the framework of special schemes, cannot be completely ruled out. In the name of creating infrastructure, they may decide for facilities, which may not be of immediate use to the small man, but serve the better-off sections well.

- 28 The National Commission on Agriculture is the latest authority to recommend providing dairy farming as a supplementary occupation to the people with small or no landbase, in their, Interim Report on Milk Production Through Small and Marginal Farmers and Agricultural Labourers (December 1971).

But it is seldom realised that to run a profitable dairy farming is even difficult for the farmers with substantial land, whose out-of-pocket cost of dairying is considerably reduced, because of the home produced fodder (and to some extent feed too). Further, if whole cost of dairying (including expenditure on dry and wet animals) rather than the cost of milk production alone (i.e. expenditure on milking animals) is considered, there would be hardly very few farmers getting net returns from dairying. Further, they cannot reduce the cost by doing away with the dry animals (as the dairymen in towns do), because their keeping is essential to maintain steady flow of milk production. The problems of marginal farmers and agricultural labourers is still serious. They cannot afford intensive stall feeding as well as keeping more animals with different calving cycles. They maintain their animals largely at 'social cost' (e.g. through village pasture, etc) and remain without milk production for most part of the year. These and other similar facets of dairying have been clearly shown by an ongoing study of Economic Relationship between Crop Production and Dairying in South Gujarat, by AERC, V Vidyanagar. The centre's studies in other parts of Gujarat and Rajasthan also confirm these facts.

According to one study, by the AERC, Vallabh Vidyanagar, the milk yield per buffalo per

year was only 660 litres in the case of marginal farmers compared to 2,980 and 3,902 litres in the case of medium and big farmers, respectively. See, "Economic Profile of Marginal Farmers and Labourers": Research Study Number 24, 1972, (mimeo) p 70.

The National Commission on Agriculture further recommends for supply of cross-bred milch cattle to the rural poor. But, as the field observations in parts of Haryana indicate, even resourceful farmers find it difficult to maintain these delicate breeds. Hence the rural poor would find them still more difficult to productively maintain them. In terms of expenses, even their insurance charges would probably exceed the amount which a labour family spends on itself during a lean year.

- 29 The Special Agencies encourage pooling through greater subsidy to 'group projects'. But past experience of the Gujarat Land Development Bank shows that except in some areas like Mehsana, small farmers did not take any advantage of 'group loan' schemes. For other details, see "Some Aspects of Long Term Co-operative Agricultural Finance", *op cit*, chapter V.

- 30 For an interesting point of view, that spread effects of capitalisation of regions (through infrastructure in backward regions as emphasised by the Planning Commission)

may not result in improvement in the living conditions of the poor, see, P R Brahmananda, "A Very Skeptical Note on the Fifth Plan Approach To Solution of Economic Backwardness As Defined by the Planners" in Seminar on Regional Economic Planning Sardar Patel Institute of Economic and Social Research, Ahmedabad, March 1973, (mimeo).

- 31 Seminar on SFDA/MFAL Programmes, *op cit*.

- 32 Of course the National Commission on Agriculture in their Interim Report on Credit for Small and Marginal Farmers and Agricultural Labourers, (December 1971), has recommended setting up of Farmers Service Societies to look after the credit and other service needs of the participants in the special programmes. They have also visualised the possibility of the SFDA and MFAL Project Boards which will virtually develop into Agricultural Planning Boards for the said societies. However, this idea of creating Societies for rural poor paralysed to present co-operative structure was understandably not appreciated by the members from co-operative agencies who participated in Delhi Seminar on SFDA/MFAL projects, *op cit*.

- 33 For instance See M D Desai, "Problems of Low Income Sections in Rural Areas", in Seminar on Rural Development for Weaker Sections, *op cit*, (mimeo.)

Usha Alloys and Steels

USHA Alloys and Steels is entering the market next month with an issue of 7,39,900 equity shares of Rs 10 each and 30,000 9.5 per cent redeemable cumulative preference shares of Rs 100 each. Usha Alloys has been promoted by Usha Martin Black (Wire Ropes) and out of the present issue of shares, 1,99,900 equity shares have been reserved for allotment to Usha Martin Black for cash at par. With the 50,000 equity shares already allotted to the company, Usha Martin Black will hold about 27.8 per cent of the issued equity capital of Usha Alloys. Out of the present issue, equity shares have also been reserved for LIC (50,000), ICICI (24,500) and Unit Trust (24,500). The remaining 4,41,000 equity shares are being offered to the public along with the entire issue of 30,000 redeemable cumulative preference shares. The entire issue of preference shares and 3,92,000 of the 4,41,000 equity shares offered to the public have

been underwritten by ICICI, LIC, IDBI, IFCI and UTI.

Usha Alloys proposes to set up a plant for the manufacture of high/low carbon alloy steel billets with an annual licensed capacity of 50,000 tonnes for which it has been granted an industrial licence. In the first phase the company proposes to manufacture between 28,500 and 35,000 tonnes of billets. The company expects to commence commercial production by the middle of 1974. A major portion of the company's production will be taken by Usha Martin Black. In any case, the company will not have any marketing problem since the country's requirement of high carbon alloy steel billets is far in excess of the present production. The company's plant will be located at Adityapur near Jamshedpur.

The subscription list will open on April 23.

Social Welfare Policy and Services

Some Issues

S N Dubey

This paper seeks to examine some issues relating to the need for a well defined social welfare policy and the nature, content and administration of such a policy.

In the formulation of a social welfare policy, political parties and organised groups have to play a crucial role. However, political parties at the national and state levels have given very little attention to issues relating to social welfare policy. Not surprisingly, therefore, there is no clear-cut policy on the place of social welfare in the social and economic development of the country.

THE purpose of this paper is to discuss some issues relating to the need for a well defined social welfare policy, its nature, contents, and administration in the country.

The first issue refers to whether there is a need for a statement of policy regarding social welfare services in the country. It seems that a policy statement is important because it provides a frame of reference to a specified area of activity; specifies the relationship between goal/s and the appropriate means to achieve them; and provides guidelines for devising indicators to measure the effectiveness of the strategies in achieving the goals [Indian Council of Social Welfare, 1971: 56]. Kulkarni points out: "A policy statement is like major threads of warp and woof on which, by filling details, a mantle is woven.... It is a macro-frame in which micro-actions are meaningfully held. There is, therefore, a need for a policy for every area of activity if the action is to be directed to predetermined goals, if results of an activity in an area were to be measured in terms of being satisfactory or unsatisfactory" [1971: 2].

Social welfare policy is defined as the strategy of action indicating the means and methods adopted to implement the social welfare services [Kulkarni, 1964]. Social Welfare Services include programmes which are intended to cater to the needs of persons and groups who, by reason of some handicaps — social, economic, physical — are unable to avail of or are traditionally denied the amenities and services provided by the community. In other words, the term social welfare service refers to the field which offers services for those who need special care [Dubey, 1971: 20].

Among the social welfare services which form a part of the Five-Year Plans in the country, the welfare of Backward Classes and the social welfare services for the vulnerable and handicapped sections of the population are very prominent. These two subjects have been grouped along with labour welfare in the Five-Year Plans under

the heading Social Service Sector. A question arises: What is our policy in regard to Backward Classes' welfare and the welfare of such other vulnerable sections of the society as children, youth, women, slum dwellers, handicapped, women under moral danger, juvenile offenders, beggars, prisoners, etc?

WELFARE OF BACKWARD CLASSES

In the Five-Year Plans, Backward Classes include Scheduled Castes, Scheduled Tribes, Denotified Tribes, Nomadic Tribes, and some miscellaneous groups referred to as "Other Backward Classes". The total population of the Backward Classes forms approximately 25 per cent of the total population of India. They also represent the most disadvantaged segment of Indian society [Dubey, 1971: 21-25]. Though, social, economic and educational backwardness are the common characteristics of all the Backward Classes, each category has a distinct problem of its own. The problem which distinguishes the Scheduled Castes from the rest of the Backward Classes arises from the practice of untouchability. The socio-economic conditions of the Scheduled Tribes are largely traceable to the isolation of the tribals from the mainstream of national life. The stigma of a anti-social heritage characterises the problems of Denotified Tribes; and the Nomadic Tribes suffer from the problems arising out of a wandering life [Kulkarni, 1965].

The Constitution of India contains Directive Principles of State Policy, laid down in Article 46 which provides that "the State shall promote with special care the educational and economic interests of the weaker sections of the people, and, in particular, of the Scheduled Castes and Scheduled Tribes and shall protect them from social injustice and all forms of exploitations", so that these groups can be brought to the level of the rest of the population in the country and thus can enjoy the fruits of a developing economy and socio-political democracy. In order to fulfil the promise of the Directive Prin-

ciple, specific provisions have been made in several articles of the Constitution. These articles provide for the reservation of seats for Scheduled Castes and Scheduled Tribes in the legislative assemblies of the states of the Union and in the Parliament. Further seats have also been reserved for these groups in all-India as well as state services and in public corporations. Article 17 of the Constitution declares that "untouchability is abolished and its practice in any form is forbidden. The enforcement of any disability arising out of untouchability shall be an offence punishable in accordance with law". In pursuance of the provision of the Article 275 of the Constitution, funds have been provided in the Five-Year Plans for the welfare of Backward Classes. During the first three Five-Year Plans, Rs 102 crores were spent on welfare programmes for these groups. During 1966 to 1969, a sum of Rs 69 crores was spent for the welfare programmes of the Backward Classes. In the Fourth Five-Year Plan, Rs 135 crores have been allocated to backward classes' welfare, in addition to a sum of Rs 30 crores committed to the non-plan budget.

In the light of these provisions, an important question arises whether the original objective — to bring the Backward Classes on par with the rest of the population — has been achieved. It has been pointed out by several studies [Commissioner for Scheduled Castes and Scheduled Tribes, 1969; Dhebar Commission, 1960] that, in spite of the advance made, particularly in terms of education and employment, the overall progress is not only not commensurate with the expenditure, but the objective of reaching parity also is still far from being in sight. Further, the relatively less backward groups among the Backward Classes have taken greater advantages of the special facilities and the more backward groups have essentially remained where they were 25 years ago. Thus, the existing policy of providing services to Backward Classes, on the basis of constitutional provisions, is not satisfactory. An important question,

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therefore, is: What should be the basis of providing special facilities to these groups? The Pre-Conference Working Party of the Indian Council of Social Welfare (1971) recommended a scientific approach based on realistic and reliable statistics and a well defined and substantiated priority system in the planning and implementation of services to weaker sections. The approach should also take into account cultural variations within the sections. The Working Party, therefore, felt that eligibility criteria, based on means test, for services to the weaker sections should be devised. Further, it recommended that there is a need to bring about a change in the existing organisational set-up for the implementation of social welfare policy in order to achieve integration and co-ordination among various social welfare services for the weaker sections. Lack of a proper organisational set-up can defeat the most brilliantly framed policies [Indian Council of Social Welfare, 1971: 58].

Though, the contents of "social welfare services" have not been clearly defined, and thus lack consensus, over the period of three Five-Year Plans, certain subjects have, more or less, come to be identified as concerns of social welfare. In the division of subjects among the Union, State, and Concurrent Lists, contents of social welfare services have not been clearly defined. Some of the subjects (such as reformatories, borstal schools, relief to the disabled and vagrancy, labour and social security) have been included in the State list. "The Working Group for the Third Five-Year Plan, which for the first time drew up a comprehensive framework for planning social welfare services, covered within its compass subjects such as child welfare, women's welfare, welfare of the handicapped, social defence, youth welfare, welfare of slum dwellers and also training, research and administration. The Fourth Plan Working Group made only a slight modification... and included the aged and the infirm along with the handicapped" [Kulkarni, 1965: 27].

However, there is no clear-cut policy in regard to these services, except, perhaps, social defence, which generally includes the services for the prevention and treatment of juvenile delinquency, suppression of immoral traffic among women and girls, prevention and treatment of beggary, probation and after-care services, and the rehabilitation of released prisoners.

CORRECTIONAL SERVICES

A provision of nearly Rs 4 crores was made for social defence programmes

during the Second Plan. In the Third Plan, a total provision of Rs 2.04 crores was made under the Ministry of Home Affairs mainly for offering assistance to centrally sponsored schemes of social defence. In the Fourth Plan, a provision of Rs 5 crores has been made for probation services, prevention of juvenile delinquency, welfare work for beggars, social and moral hygiene programmes, and institutions for correctional training.

The prevention and treatment of juvenile delinquency are the most important aspects of social defence. The responsibility for the organisation and administration of these services rests with the state governments. The policy regarding these services has been spelled out in various state and central legislations. During the Second Plan, the programmes for combating juvenile delinquency received a great deal of attention. The two central acts, namely, the Central Children Act, 1960 (for Union Territories), and the Women's and Children's Institutions (Licensing) Act, 1956 were passed. Subsequently, the Licensing Act of 1956 has been repealed by the Orphanages and Other Charitable Homes (Supervision and Control) Act, 1960. [Refer Chapter V, Section 31 of the Act.]

The purposes of the Children Acts (state as well as central) in general are custody, protection, care, education, training and rehabilitation of the children. There is, however, no uniform notion as to who is a child. The term has been used to refer to persons of different age-groups. Besides, the provisions of these acts are related only to the socially handicapped — delinquent and non-delinquent children —, and do not cover other categories of children.

The suppression of immoral traffic among women and girls forms one of the important services in the field of social defence. As a signatory to the International Convention on the Suppression of Immoral Traffic in women and children in Geneva in 1921, the Government of India had undertaken the responsibility to prevent immoral traffic in women and girls. A number of states passed acts for the suppression of immoral traffic, and made soliciting, pimping, brothel-keeping and living on the earnings of prostitution as severely punishable offences. However, it was in the Second Plan that the moral and social hygiene programmes received impetus. The Central Act for the Suppression of Immoral Traffic in Women and Girls was passed in 1956. It replaced all the state acts and provided

for services and institutions for the rehabilitation and treatment of the rescued women. The Act declares the following activities as offences: (a) the keeping of a brothel or allowing premises to be used as a brothel; (b) living on the earnings of prostitution (however, this does not apply to the children of the prostitute if they are under 18 years of age); (c) procuring or inducing women and girls for the sake of prostitution; (d) detaining a woman or a girl in the premises where prostitution is carried on; (e) carrying on prostitution in the vicinity of public places; and (f) seducing or soliciting for purposes of prostitution.

One of the important issues in the implementation of the SIT Act is that there is a lack of uniform understanding among the state governments regarding the nature of the problem of immoral traffic among women and girls. Thus, in Bihar the problem of immoral traffic tends to be viewed as a public health problem. Consequently, the implementation of the Act has been entrusted to the health agency. In Rajasthan, Mysore, Kerala and Punjab, it seems to be viewed as a problem of the degradation of public morality and conduct. Consequently, the implementation of the Act has been entrusted to the Home Department. A question can be raised: What is the nature of the problem of immoral traffic among women and girls? Is it basically a public health problem or a law and order problem or a social problem the victims of which need protection, rehabilitation and restoration? Obviously, it is basically a social problem. Consequently, it should be entrusted to a department which has experience in preventive and rehabilitative social programmes, and which has developed a relatively more humane approach towards socially disapproved and condemned behaviour.

The prevention and treatment of begging is another important correctional service. The earliest attempts to check the practice of begging in public places were found in the City Police Acts of Calcutta, Madras, and Bombay. Some state governments have also passed their own anti-beggary legislations. For example, anti-beggary Acts exist in Hyderabad (1949), Bengal (1943), Mysore (1944), Madras (1945), Bihar (1952), Bombay (1959), Jammu and Kashmir (1960), and Assam (1964). Some special acts such as the Leprosy Act (III of 1898), Lunacy Act (1912), the Indian Railway Act, the Indian Penal Code also deal with the problem of beggars. As a result of those legislations, such institutions as Receiving

Centres, Certified Institutions, Work Homes, Special Homes, Sick Homes, Beggary Homes, Relief Centres, etc, have been opened in various states.

One of the issues regarding the beggar Acts is a lack of uniformity in the objectives and in the definition of a beggar. The objectives of the Acts differ from state to state. For example, the objectives of the Bombay and Assam Acts are to make uniform and better provisions for prevention of begging; and for the custody, trial and punishment of beggar offenders. The Kashmir Act stresses the making of good citizens out of beggars. The Mysore Act aims at prohibiting persons from resorting to begging as a means of livelihood. Thus, there is a need for a clear-cut policy regarding the prevention and treatment of begging. Perhaps a central legislation which provides a common definition of a beggar, a procedure to apprehend him and a uniform administrative machinery to implement the legislation seems necessary to solve these problems.

The Central Probation of Offenders Act, 1958, provides the statutory basis for the probation services in the country. The main features of the Act are: (1) if the offender is guilty of an offence, punishable with imprisonment of any length, except for life, irrespective of number of previous convictions, can be released on probation with or without supervision; (2) previous convictions, nature of the offences, age, etc, will not disqualify the offender for release on probation; (3) all magistrates are empowered to take up cases in which probation might be considered; (4) it is obligatory for the magistrate to call for presentence report of the probation officer in cases where offenders are under 21 years of age; (5) in case of violation of probation, the terms of sentence will automatically be put into force where it is already pronounced and the offender will not be tried again for the original offence; and (6) the probation officer may appeal against the order of the magistrate refusing to release the offender on probation.

There are a number of issues relating to the implementation of probation policy. One of these refers to whether probation service should be under the control of the administrative departments or under the judiciary? Further, what should be the role of voluntary organisations? A second issue refers to the dual system of control exercised on the probation officer. The probation officer is appointed by the Directorate of Social Welfare or by voluntary agencies. But he is required to work with the judiciary. Consequently, he is required

to work under a dual system of control, the Director of Social Welfare on the one hand, on whose cadre he is borne, and the judiciary on the other hand, under whose supervision he works. This creates a considerable amount of strain in his job performance. The magistrate, who supervises and evaluates the probation officers' performance, often does not share the same orientation.

For adult prisoners, a few services are organised as a part of the Five-Year Plans. They include appointment of welfare officers, assistance to families of prisoners, creches for children of women prisoners and assistance in cash and kind to discharged prisoners to enable them to establish themselves in life with some source of livelihood.

FAMILY AND CHILD WELFARE

A number of programmes for child and family welfare have been formulated and implemented since Independence but an explicit national policy for child welfare has not so far been evolved. Consequently, though among the general social welfare programmes, in terms of priorities, emphasis has been placed on child and family welfare services in the Five-Year Plans, the content, the clientele and the organisation of the programmes have changed considerably since the time of the First Plan. The preoccupation with handicapped children, which was displayed at the beginning of the First Plan, has been replaced by concern and preference for the welfare of socio-economically deprived children. Further, the emphasis has also been shifted from rehabilitative to positive and promotive services. The latest emphasis is on an integrated approach in providing services to families and children. Thus, currently, Family and Child Welfare Projects are the largest single national programme directed towards welfare of women and children, specially in rural areas.

The Family and Child Welfare Projects were initiated on November 14, 1967 to reorganise, improve, and expand the welfare services for women and children provided by the Co-ordinated Welfare Extension Projects, and the Demonstration Projects for Integrated Child Welfare Services. Since the Family and Child Welfare Projects have been organised on a pilot basis, they have been included in the Central Sector in the Fourth Plan with an outlay of Rs 6 crores. In addition, an amount of Rs 6 crores has been allocated for nutrition, health, education; and Rs 2.3 crores for the welfare of the physically handicapped. The project normally caters to the age group of 0-16 years.

However, greater attention has been given to children in the age-group 0-6 years. The next priority is given to children between 6 and 11 years. While services dealing with health, nutrition, education, recreation and welfare are implemented in a co-ordinated manner, the combination of services and the emphasis differ for different age-groups depending upon their physical need.

The Family and Child Welfare Project consists of one main centre at the Block Headquarters and 5 sub-centres in key villages. In addition, the Central Social Welfare Board provides modest financial aid and project staff to villages where local mahila samitis and panchayats, etc, are keen to initiate, with their voluntary effort, limited welfare programmes. The main centre consists of Balvikas Kendra and a Griha Kalyan Kendra. The services provided in the Balvikas Kendra include a creche or day care centre for about 10 infants whose mothers are busy on farm or in the home. The Griha Kalyan Kendra serves as a demonstration-cum-training unit for about 15 young mothers and leading village women. The main activities in the Kendra include education in personal hygiene, health and sanitation, home craft and home management, mother craft and child development, family nutrition and feeding, family relationship, domestic budgeting, preparation of family clothing, family planning and citizen education, etc.

From the above description, it may be stated that the social welfare policy regarding family and child welfare services has been *ad hoc* and vague. There is a need for a clear statement of policy regarding family and child welfare. What are our goals in the area of family and child welfare? How do we plan to achieve these goals? Is the goal for family and child welfare to strengthen the basic institution of family? Which aspect of the child's life should be given priority? Which group of children should be given priority in the immediate future, and which groups in the distant future? In other words, there is a strong need to clarify the value premises, operational objectives, and types of children to be served by the family and child welfare programmes. The statement should also indicate the nature of the organisational and administrative set-up.

ORGANISATION AND ADMINISTRATION

The responsibility for the implementation of social welfare policy rests with (1) voluntary organisations and (2) the public welfare bureaucracy. The responsibility of fulfilling the statutory

obligations under various central and state legislations, especially those dealing with the welfare of children, women and scheduled castes and scheduled tribes, rests with central and state governments. The voluntary social welfare organisations deal mainly with non-statutory services of general social welfare for children, women, handicapped, and other vulnerable groups. Thus, the voluntary social welfare organisations share a major responsibility in the implementation of social welfare policy. Perhaps, the main reason for the allotment to voluntary organisations of a crucial role in the implementation of social welfare policy are (1) the pioneering experience of voluntary organisations in the field of social welfare; (2) the humane approach of voluntary agencies in providing services; and (3) the limited amount of resources available for social welfare services at present.

The state, however, has to provide aid to voluntary organisations to maintain and develop welfare services. A special body, called the Central Social Welfare Board, was set up by the Government of India for promoting voluntary action in the field of social welfare. The idea behind the creation of CSWB was to introduce the system of grants-in-aid to improve existing services, and to develop new services under the auspices of non-official bodies. In order to accomplish this goal a large amount of money was allocated to the Board. The Central Social Welfare Board created a network of organisations at the state, district, and block levels through which aid was channelled and the programmes were sponsored. At the state level, State Social Welfare Advisory Boards have been established; at the block level, the Project Implementation Committee, recently replaced, at some places, by the Functional Committees for Family and Child Welfare, were organised. These bodies consisted of official and non-official social workers. The CSWB, so far, has given grants to 6,000 voluntary organisations, and has sponsored Welfare Extension Projects in rural and urban areas, after-care services and educational programmes for women, etc. It should be noted that Welfare Extension Projects have been replaced by the Integrated Family and Child Welfare Projects in 1967. Judging from the work the Board has done, its record has been impressive. However, from the point of view of policy, two crucial questions can be raised in relation to the goals of voluntary organisations in the field of social welfare: (1) How far the co-

luntary organisations would be helpful in the development of social welfare in a welfare state? It is being increasingly recognised that in a welfare state the measures of social security, maternity and health services, assistance to the dependents and the handicapped, employment services, services to the aged, etc, will have to be provided universally. Ultimately, therefore, the state will have to assume responsibility for providing these services. The services of voluntary organisations will continue to be required, but they will have to be supplementary to the measures of social security provided by the government. (2) What would be the role of the Central Social Welfare Board and its representative bodies at the state, district and block levels in developing voluntary action in the fields of social welfare, in view of the creation of panchayati raj institutions in most states? It seems that the panchayati raj institutions, which are the representative bodies of the people, can more effectively generate voluntary actions than the CSWB. This is precisely the purpose for which the panchayati raj institutions have been created. In other words, the role of the CSWB in the generation and the promotion of voluntary action in the field of social welfare will have to be supplementary to the efforts of the panchayati raj institutions.

Some other issues relating to the implementation of social welfare policy by the voluntary organisations, which need to be examined critically, are their ability to raise funds from the community, maintain freedom of action, personnel practices, and programme innovation. In view of the policy adopted by the national and state governments, it is reasonable to assume that the sources and amount of contribution from the community for social welfare are extremely limited. It is, perhaps, due to this factor that most of the voluntary organisations receive about 40 per cent of their resources from the government. Therefore, in the circumstances, it is doubtful if the voluntary organisations can develop an independent base of resources and maintain their autonomy as community supported institutions.

In terms of personnel policy, the voluntary organisations are manned by untrained staff, particularly at the top and the middle levels. It should be noted that the executive secretary of the Central Social Welfare Board is a "generalist" and does not have any specialised training in social welfare administration. Most of the inspectorate staff of the Board are also not trained. Similarly, the State Social Welfare Advisory

Boards are managed by non-professional staff. Most of the Executive Secretaries of the State Social Welfare Advisory Boards are not trained social workers. Most of the voluntary agencies also do not have a personnel policy to employ trained social workers. The untrained staff employed by them tend to follow administrative practices unsuitable for the management of social welfare organisations. It is, therefore, not surprising that the experimental projects run by these organisations are sub-standard, unimaginative and sterile. The CSWB, SSWAB and voluntary organisations have not realised that the quality of personnel significantly determines the success of the programmes. Even the most brilliantly thought of programme falls flat on its face when run by untrained, unimaginative and substandard staff. It is, therefore, imperative that the CSWB, the SSWAB, and the voluntary welfare agencies revise their personnel policy in favour of trained social workers. Further, the currently untrained staff working in these organisations should also be sent for training. They should depute one or two supervisory personnel for training in one of the good schools of social work in the country which offer programmes in social welfare administration. The investment in training will pay a high dividend in terms of improved quality of service, administrative efficiency, and innovation in the development of social welfare programmes.

In the governmental organisation, the social welfare subjects are distributed among various executive departments in the state. In some states, they are affiliated to 12 or more departments. This contributes to the fragmented and unco-ordinated approach currently prevailing in the planning and implementation of social welfare programmes. The main departments at the state level responsible for the implementation of social welfare programme are the Directorate of Social Welfare, Backward Classes Welfare and Tribal Welfare. These departments are generally headed by generalist administrators who do not have any specialised training in social welfare. Their approach to social welfare administration is based primarily on the classical theory of administration which places heavy emphasis on standardisation of procedure, formalism, centralisation of authority, job oriented (authoritarian) leadership, inflexibility, neglect of individual situations, etc, which may be appropriate for managing organisations engaged in "habit forming" tasks and not for organisations engaged in problem solving and "so-

cialisation" tasks which are the goals of social welfare organisations [Bennis, 1967: 36-78]. A more suitable approach to social welfare administration seems to be one which emphasises what Drucker calls "management by objective", flexibility, expressive supervision, decentralisation of authority, participation in decision-making, cohesive work groups, etc, conducive to the generation of capacity and forces in the organisation necessary for socialisation and problem solving tasks. It is, therefore, important to entrust the task of social welfare administration to a specialist, trained in social work and in modern techniques of management. Since such a functionary does not exist, the existing personnel in the field will have to be trained. Besides, a special field of training in social welfare administration will have to be developed by schools of social work in the country. The Tata Institute of Social Sciences has recently introduced such a programme of training.

The panchayati raj institutions are important units in the implementation of the social welfare services at the district level. A large number of social welfare services have been transferred to panchayati raj institutions for implementation. The main programmes transferred to panchayati raj institutions for implementation are related to Backward Classes' Welfare and Family and Child Welfare. It is, therefore, important to examine critically the scope, potential and limitations of implementation of social welfare services under the panchayati raj institutions. One of the issues in regard to social welfare under panchayati raj is that in some of the states social welfare is not treated as a technical subject unlike agriculture, education, animal husbandry, etc. The District Social Welfare Officer is also not treated on par with officers of the other departments who work as heads of the departments. Consequently, he is not able to handle his responsibility as effectively as other officers. Some states (Maharashtra, for example) have begun to realise the difficulties in this arrangement and are considering seriously making social welfare a separate department and giving it a technical status. Another issue refers to safeguarding the interests of Backward Classes under the panchayati raj set-up. It has been reported that very little, if any at all, of the zilla parishad's budget is allocated for the welfare of Backward Classes. Further, funds for schemes meant for Backward Classes are also diverted to other schemes. Besides, proportional representation of Backward Classes in

panchayati raj institutions has not been provided for in the panchayati raj Acts of the states. The hope that the Backward Classes would be represented in these institutions through the electoral process has not materialised. Those who get elected to the panchayati raj institutions tend to be the people above the average in wealth. Even in villages predominantly inhabited by the Scheduled Castes or Scheduled Tribes money lenders or caste Hindus manage to get elected as Sarpanches. Co-optation as a mode of representing the Backward Classes, provided for in the most panchayati raj Acts, has brought into panchayati raj institutions the middle class or better off members of the group who lack a realistic perspective on the appropriateness and the purposes of the programmes. They also lack commitment to and interest in the welfare of the Backward Classes. It will, therefore, be desirable to amend the panchayati raj Acts to provide for the allocation of funds by the panchayati raj institutions from their own resources for the welfare of Backward Classes; to recognise social welfare as a technical department, and to treat the officer in charge of this programme as head of a department like other technical officers; and to provide for proportional representation for Backward Classes in panchayati raj institutions.

One of the critical issues in social welfare policy is the recognition of the place of social welfare services in the socio-economic development of the country. The national leadership has occasionally asserted that the purpose of economic development is to enhance the well-being of the individual, the group and the community. In this sense social and economic development tend to complement each other. However, social welfare services which directly contribute to the well-being of the people (a necessary element in economic development) have not been given sufficient attention in the national plans. Though the absolute amounts of resources allocated to social welfare in the Five-Year Plans have shown an increase, their percentage to the total Plan outlay has remained static if it has not actually decreased. Thus, there is no clear-cut policy on the place of social welfare in the social and economic development of the nation. The formulation of social welfare policy can be viewed as a process of choice among various alternatives available for the social and economic transformation of the country. Consequently, in the formulation of social welfare policy, political parties and organised groups play a

crucial role. However, the political parties at the national and state levels have given very little attention to the issues relating to social welfare policy, except for empty slogans. Thus the masses will have to be educated about the nature and operation of the political process so that they can press for their demands on the politicians. The development of public opinion for social welfare is necessary for effective formulation and implementation of social welfare policy in the country.

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Toshiba Anand

TOSHIBA Anand Batteries commenced commercial production on January 1, 1972 and produced during the year ended September last 34.66 million numbers of dry cell batteries against the installed capacity of 60 million numbers per annum. The company earned a gross profit of Rs 24 lakhs on sales of Rs 289 lakhs. After making provisions for depreciation and development rebate, there was a surplus of Rs two lakhs. Demand for the company's products, which have earned reputation for quality, has been encouraging. Export markets are now being explored.

India and the International Copyright Conventions

Jaman H Shah

It is clear by now that India's membership of the international copyright conventions has yielded it less benefit than it has taken away. What the conventions safeguard is not so much the author's right to reward and protection of intellectual property, but the commercial interests of the foreign copyright owners and publishers. What they amount to is the Western countries claiming an unrestricted right to exploit our markets, retarding in the process the development of indigenous book manufacturing activities.

Past experience has shown that the advanced countries will brook no change in the provisions of the conventions which may limit their right in this respect. India and other similarly placed countries should, therefore, seriously consider withdrawing themselves from these conventions.

THE time has arrived for India to reconsider the impact of its continued adherence to international copyright conventions — both the Berne Convention and the Universal Copyright Convention (UCC). These conventions have neither benefited us directly nor fostered the growth of the indigenous book industry. The latest Paris Revision of the Berne Convention, ratification of which is currently under government consideration, may in fact work against our interests. The Revision seemingly gives developing countries, such as India, the limited right under certain conditions to grant compulsory licensing; but what it actually concedes is so meagre compared to what it denies that no useful purpose would be served by our ratifying it. Countries like India, therefore, should either try to persuade the other powerful signatories to the Conventions to grant liberal translation, reprinting, and reproduction facilities — and, in their absence, the right of compulsory licensing, of course, bearing in mind the right of author to protection/royalty — or withdraw from both Conventions. Past experience and years of frustrating negotiations give little hope of the first alternative fructifying; we are, therefore, left with the second.

Foreign copyright owners today claim almost absolute rights — which we, as signatories to the Convention, may not restrict ostensibly on grounds of our own interest. What the Conventions protect is not so much the author's right to reward and protection of his intellectual property, but the commercial interests of the foreign copyright owners and publishers. India had subscribed to the Conventions in the hope that they would facilitate free flow of knowledge into the country and in the belief that it is necessary to protect the interests of the authors. The first argument has been belied by experience, while the second has been overwhelmed by the attitude of foreign publishers who have refused reprinting rights to indigenous

publishers.

If India opts for compulsory licensing or withdraws from both Conventions, several benefits would accrue to it:

(1) It could reprint books and the price of books reprinted in India would probably be only a-third of the price of imported books — which might widen the readership base.

(2) Part of the approximately Rs 6 crores in foreign exchange which India spend every year on the import of books would be saved; a portion, corresponding to the import of books which have a very limited market, would of course continue to be spent on them, but books which are now imported in bulk could be reproduced within the country with substantial foreign exchange savings (estimated at about Rs 3 crores). Our liability would then be limited to royalties payable to original authors, after deduction of tax at source; even this liability on account of royalties results because we, on our initiative, resort to compulsory licensing on ethical grounds, and is not payable if we simply withdraw from the Conventions.

(3) The right of reproduction would lead to rapid growth of the Indian book industry, generating new business and employment all along the line — from publisher to paper mills to printing presses to booksellers.

(4) At present, government earns no tax-revenue from the import of books, but if books are reprinted in India, it would earn substantial revenues — from the tax on royalty remittances, as well as from excise duty, sales tax, and other levies on the increased consumption of paper, printing services, etc.

These and related issues were, in fact, referred to as far back as in 1963 by M C Chagla, then Education Minister, while inaugurating a joint meeting of the executive bodies of the Berne Convention and the Universal Copyright Convention at New Delhi. At that gathering, Chagla put forward a specific proposal — "a provision similar to

what you find in the Universal Convention about the rights of translation". Since India has been party to both conventions, it is restricted by both. Thus it cannot give compulsory permit with regard to translations because it would offend the provisions of the Berne Convention — though if it were party to only the International Convention it could do so. But Chagla had argued that "something much more than translation is necessary. There should be a provision that if a book is not published in this country within a certain time, the government should have the right to give a compulsory permit after giving due notice to the author and after safeguarding his rights. Because if an author wants the publication of his books, if he wants a particular country to read his books to benefit by the ideas contained in that book, there is no reason why he should not publish his books in that country. Today, you will find a large number of books coming from England and the United States mostly, some from other countries, which we have to import and pay for; they are not published here. Now, if a book is sufficiently important, there is no reason why there should not be a wide circulation of that book here. I am prepared to safeguard the rights of the author. He can have it published here and he will get his royalties perfectly safeguarded here. But suppose he does not do it. Just as in the case of a translation, when an author does not bring out a translation of his book, under the Universal Convention a compulsory licence can be issued, similarly, in the case of the publication of the original book, if it is not done in the country, say, within two or three years, or in a fixed time limit, then, the government of the State should have a right to issue a compulsory permit. Now, this suggestion that I am making to you, does not, in any way, offend against the principle I laid down to start with. It protects the author because he will get his royalties;

it does not in any way prevent the spread of knowledge. On the contrary, it helps the spread of knowledge; more books will be published, there will be more circulation of books, more people will read. Therefore, my appeal to you is to consider seriously this question of extending the rights of compulsory permits given to the States."

Thus while the author would be assured protection not only in his own country but also abroad, whenever a book is required in large quantities in any country other than the country where the work is first published, the author would have to authorise a local edition of the book — failing which, the State could intervene and grant a compulsory licence after giving the author reasonable notice and after ensuring just compensation to him. It is anticipated that the measure would benefit the reader as well as the author, in addition to encouraging the local book producing and related activities.

It may be argued that the production of local editions will hurt the interests of the original publisher. True, in some cases, his profits may be reduced; but the author's interest would not be harmed. If we look back into the history of copyright, moreover, it is clear that copyright was made a statutory right exclusively for the benefit of the author (see the opening words of the first Copyright Act, the 8 Anne), on the argument that this would encourage creativity.

As things have turned out however, it is not the authors, but the original publishers who exploit the provisions of copyright. A paper received from Sidney Kramer, a leading American publisher, at the international symposium at Delhi in March 1972, "Books for the Millions", underscores this fact. Kramer said: "In practice, it is not the laws that govern, but rather custom — really a matter of contract, not of copyright law. Let me explain. Usually the British paperback publisher buys his rights from a hardcover British publisher, or a British author, and he buys and contracts for an exclusive right to publish the book in the United Kingdom and the rest of the present former British Empire and Commonwealth. The British Publishing Association has put forth a list of territories where its members insist on having exclusive rights. India is certainly on the exclusive list to be serviced by British publishers only as to any title published in Britain... A similar and parallel operation takes place in the United States where the exclusive territory extends beyond the United States, to the

Philippines and the US trust territories. Canada is also usually added to the exclusive United States rights if the author is American. If the author is British, Canada very often lands on the British side. All the rest of the world is defined as 'open market' where the British and American editions compete. There are variations and exceptions of all kinds... These territorial delineations serve the respective US and British publishers quite well, but I don't know if India's needs are best served by that system or not. I would guess it could be improved."

While a publisher may be allowed monopoly of his domestic market — as otherwise no publisher would ever come forward to publish a book since the different editions which the author is free to negotiate would cut into one another and make publishing impossible — allowing the publisher to claim a monopoly of the market outside his country effectively reduces the output of books.

A brief account of the background of the Berne Convention and the International Copyright Convention would be relevant for an appreciation of their implications for us and the rational choice that we should make.

Berne Convention:

The Berne Convention was evolved in 1886 at Berne by the Continental (European) countries to secure for their respective authors copyright protection in other signatory countries, on a reciprocal basis, without recourse to cumbersome bilateral treaties as were then in vogue. Since these countries had diverse interests, approaches, and legal systems, agreement was secured by compromise. The Berne Convention has been revised on five occasions — once in Berlin in 1908, then in Rome in 1928, in Brussels in 1948, in Stockholm in 1967, and more lately in Paris in 1971. India adheres to the Brussels version of the Convention. Members are not obliged to ratify the latest Act, so there has been no uniformity of rules among the members of the Berne Union.

India has been a member of the Berne Convention right from its inception, because the Berne Convention was extended to the then Crown colonies by a simple declaration of the protecting States as was provided in the convention. In other words, India had not freely chosen to be a member; though it is true that, after Independence, it could have chosen to withdraw from the Union. Our choosing to stay in seems to have been part of our predi-

lection for working for reform from within international bodies.

The International Copyright Convention:

While the US was developing, the American book publishers developed rapidly by helping themselves freely to the literary outlets of England and other Continental countries. It is interesting that the growth of American book publishing was helped by the fact that, right from the day the US became independent, it disregarded the 'intellectual property rights' of other countries for over two centuries. Several American Presidents proudly possessed pirated editions of the "Encyclopaedia Britannica" which was then a British publication. Even the American courts condoned such 'piracies'. In a judgment involving the piracy of the "Encyclopaedia Britannica", Justice Arthur Butler declared: "To reproduce a foreign publication is not wrong. There may be a difference of opinion about the morality of reproducing a work here that is copyrighted abroad, but the public policy of this country as respects the subject, is in favour of such re-publication. It is supposed to have an influence upon the advance of learning and intelligence."

The US copyright laws encouraged the development of not only indigenous book publishing but also other related book-producing industries. The interests of the indigenous book manufacturing industries have been fully and forthrightly protected, ever since 1891, by the manufacturing clause of the US Copyright Act which stipulates that no work in the English language is protected — unless wholly manufactured in the US. Though the American Registrar of Copyright — under pressure from book publishers and authors — had recommended its repeal, when the US Copyright Act was taken up for revision a little over a decade ago, the US Congress submitted instead to pressure from book manufacturers and retained the clause. (Since US ratification of the Universal Copyright Convention in 1955, the clause does not apply to UCC countries.)

When the Berne Convention was drafted, the US refrained from acceding to it, as it did not suit US needs. However, as the US book industry made rapid progress in the thirties and the forties, and took a leading role in the world of books, American publishers began to urge the US government to accede to the Berne Union — but without success. In order to provide a bridge between the Berne Union and the US, UNESCO evolved the Universal Copy-

right Convention in Geneva in 1952. This convention came into force in 1954 when 12 countries ratified it.

Thus as things stand, the Berne Union is a fortress that guards the interests of the UK and the Continental countries, while the UCC guards the US interests.

It is of course ironical that, though the US publishers helped themselves freely to the output of other countries for generations, they strongly condemned Taiwan when American works were freely reproduced there. Indeed, the US government brought pressure upon Taiwan and urged it to join the UCC; but Taiwan has refused to do so. The only concession it has made is to undertake not to allow the export of the editions published in Taiwan — though, in practice, even this undertaking has not been too faithfully kept. The important fact to note here is that the US became a champion of the international copyright law only after its publishers had developed their book exports in the post-World War II world.

Intellectual property comprises two main categories: (a) copyright in literary and artistic works and (b) industrial property (patents, trade marks, etc). Britain did not extend to India — then a Crown colony — the provisions relating to international protection of industrial property, viz, the Paris Conventions and the separate agreements thereunder. In fact, India continues to be out of the Paris Union.

As the Berne Convention was scheduled to be revised for the fourth time in Stockholm in 1967, and as countries like India were going to the Stockholm conference as 'independent' States for the first time, they took the opportunity to demand provisions appropriate to their specific needs. The Indian Copyright Office issued a detailed questionnaire to publishers, educationists, authors, etc, early in 1965, to obtain their views. The investigation revealed that rights and permissions were being refused not only to publishers in the private and public sectors but also to universities and scholars, on pecuniary grounds by foreign copyright owners. This finding convinced the Indian Government that it was necessary to regulate the rights enjoyed by the foreign copyright owners. In August 1963, at the African Study Meeting at Brazzaville, sponsored by UNESCO and BIRPI, the African States too came forward with suggestions for certain amendments to the Berne Convention to suit their specific needs. The Berne Union is administered by the United International Bureaux for the Protection

of Intellectual Property, better known as BIRPI.

In response to these demands and in accordance with the provisions of the Berne Convention, a special study group, called the Swedish BIRPI Study Group, was set up to prepare the programme for the Stockholm Revision Conference. In its 1964 report, the Study Group recognised that special provisions for the benefit of the developing countries had been demanded on several occasions, and it incorporated such provisions in the Draft Protocol Regarding Developing Countries for inclusion in the Convention, as a new Article. The Protocol provided that developing countries be allowed to make certain reservations for a short period of time. The reservations comprised, among other things, the terms of protection and the right to grant compulsory licence for translation and reproduction.

There was nothing extraordinary about the demands made by the Afro-Asian countries — particularly the demand put forward by India for compulsory licensing. The proposals could well have been incorporated in the Revision as regular clauses of the appropriate Articles, and this would have ensured the continued membership of these countries. It was not necessary to bundle these disconnected proposals together, as temporary reservations allowed to the developing countries only, under the label 'Draft Protocol Regarding Developing Countries'. By stipulating that these proposals be restricted to developing countries, the Western countries succeeded in dividing the Berne Union into two groups — the developed and the developing — and so introduced an element of horsetrading. Further, by restricting the right to grant compulsory licences to works required for science and education only, the Union further extended the scope for bargaining. Unfortunately, failing to see that no substantive concession was being made, the developing countries fell prey to Western manoeuvres.

India and the other countries should have focused on an unconditional recognition of this principle. The division of the Union into two unequal groups is now in the open, so is its operation to the disadvantage of the developing countries. By restricting the so-called concessions to the developing countries, however, even a developed country like Canada — which is in a position similar to that of developing countries in that its import of books are heavy — was excluded from the new provision; it might have otherwise actively supported

countries like India in obtaining a better deal. Canada had, under Sections 14-15 of the Canadian Copyright Law, provisions enabling issue of compulsory licences for reproduction in Canada of certain foreign works under certain conditions. American publishers were thereby compelled to print separate editions in Canada for the Canadian market. India could have made it clear that unless such a fair measure was unconditionally accepted, it would have to opt out of the Berne Union. Instead, it showed weakness. And what the developed countries, particularly the UK, got away with, through obfuscation, was most succinctly described in a detailed report on the Stockholm conference in *The Sunday Times* (London) in July 1967. The report, 'Books Row by Insight', said:

"The Stockholm conference emerges as a minor classic in the annals of the British civil service. Britain's role at Stockholm was to wreck the new proposals without incurring the odium of actually voting against them. It proved to be a task uniquely suited to the talents of Whitehall. The negotiations themselves were a patient rearguard action strategically derived from years of careful committee work. And the agreement which has emerged is so complicated that it could only have been drafted by the British civil service bent on destruction." (italics added).

Triguna Sen, then Union Education Minister, did repeatedly assure Parliament that, unless the UK accepted the Stockholm Protocol within six months, India would opt out of the copyright conventions. At the same time, the UK government was assuring British publishers and authors that the UK would not sign on the dotted line. In the event, India failed to carry out her threats, although the UK firmly refused to accept the Stockholm Protocol.

Since the Stockholm Protocol is mandatory for all those who ratify it and since the UK wanted to ratify the Stockholm Act without the Protocol, negotiations were stretched further to resolve the deadlock. It was suggested, as a compromise, that the Stockholm Protocol be delinked from the Stockholm Act and that similar provisions be incorporated instead in the Universal Copyright Convention, for the benefit of the developing countries.

Several study meetings were held in Washington and Paris to prepare the programme for simultaneous revisions of the two conventions (Berne and UCC). In Paris, the *le package deal*, so labelled by the British, was worked out. The deal practically destroyed the substance of the Stockholm Protocol.

It was this, *le package deal*, that went before the Diplomatic Revision Conference of the two conventions which were in session in Paris simultaneously from July 5 to 24, 1971. Again, contrary to promises made at home earlier, India allowed delinking of the Stockholm Protocol from the Stockholm Act, even though similar provisions did not go into the UCC.

While at Stockholm the principle of compulsory licensing extended to the two fields of education and culture, at Paris the cultural field was altogether dropped. Moreover, the word 'educational', which could be liberally interpreted, was replaced by a more restrictive phrase; 'systematic instructional activities'. This was further reinforced by adding the proviso: author failing to make available copies of his works at prices reasonably related to those normally charged in the country for comparable works.

What the present situation thus amounts to is that, by claiming absolute rights under the name of international copyright, the Western countries are claiming an unrestricted right to exploit our markets. Many countries, not all of them developing, are still outside the Union. When countries take to the Union they may do so on the basis of its economic aspects. The inclusion in the Union of countries who import more than they export is of greater importance to the developed countries than it is to the adhering developing countries themselves. The UK's book exports, for instance, are about three times its imports, while India's imports are about seven times its exports. If India were not already a member, would it accede to either or both of these conventions today? Since the ostensible principle of these conventions is reciprocity, a country needs to accede to the conventions only if it serves its needs. Only half of the countries of the world adhere to these conventions. The two book-producing giants, the US and the Soviet Union, are out of the Berne Union. Two other countries, Cuba and the Philippines, have already opted out of the conventions. In the circumstances, India too should give serious thought to withdrawing from both the Berne Union and the UCC—especially since its reasonable and specific demand regarding the right to compulsory licensing is unlikely to get the concurrence of the Conventions.

In any case, Indian authors enjoying an international market can readily secure protection in the Berne Union

and the UCC, by simply first publishing their works in any Union country—say the UK—or, if the book is published in India, airfreighting a few copies of their work to the UK within one month of Indian publication. Those who profess the author's moral right to compensation, must necessarily extend the national copyright act to all authors. If BIRPI or UNESCO were to conduct a survey, this author feels that it would

be discovered that most countries would probably like to respect the international copyright and protect all authors—not merely their national authors—in accordance with their laws. But for this the exploitative character of the two Conventions must first stand exposed—even if this means resigning the two Conventions and unilaterally extending the provisions of the Indian Copyright Act to all authors of the world.

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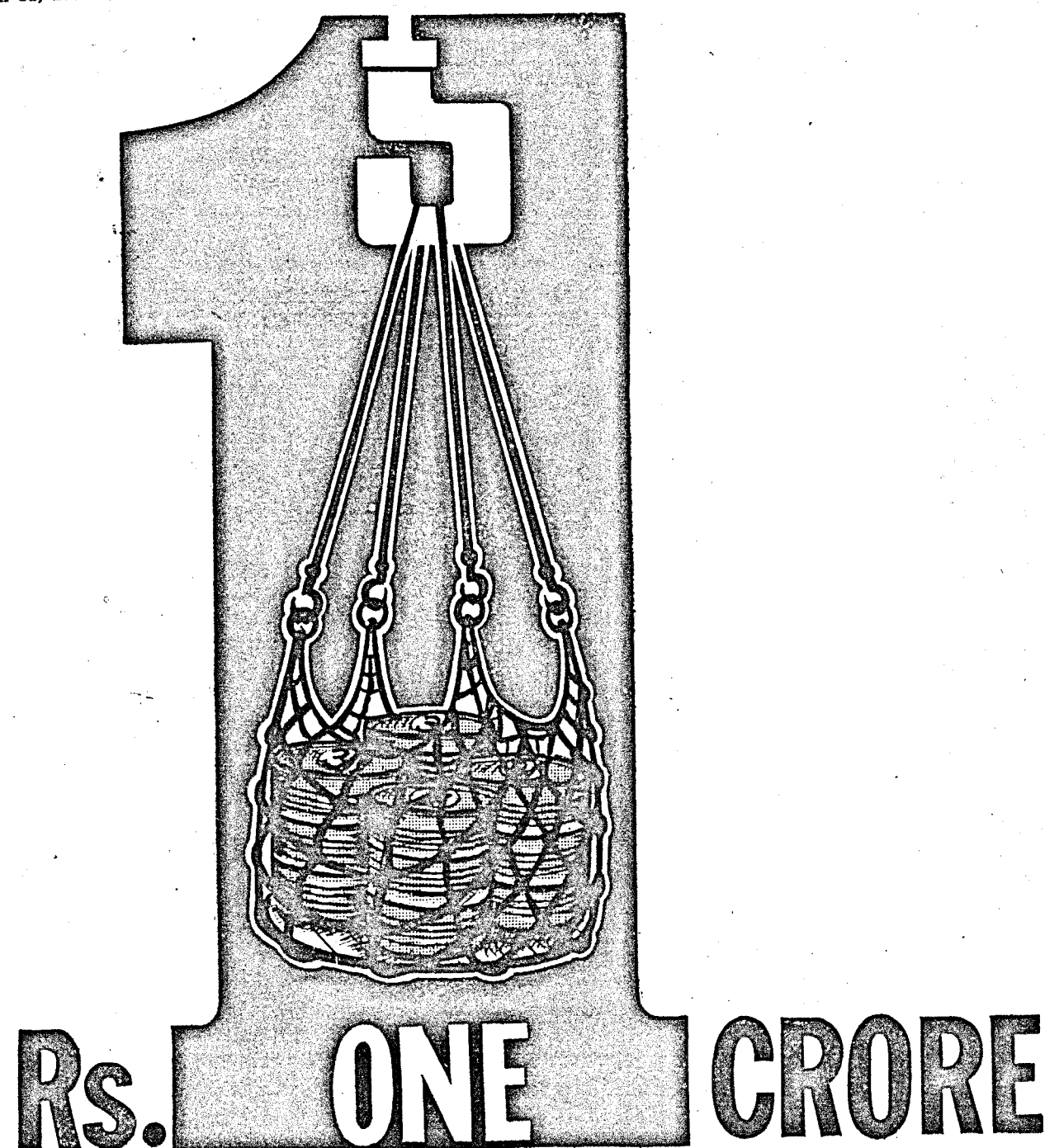
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Printed by Krishna Raj at States' People Press, Janmabhoomi Bhavan, Choga Street, Fort, Bombay 400001, and published by him for Sameeksha Trust from Skylark, 284 Frere Road, Bombay 400001.

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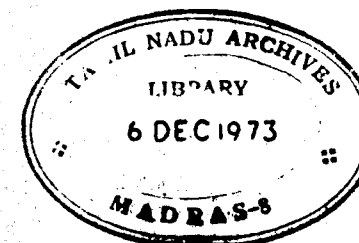
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A Sameeksha Trust Publication

Rs 1.50

Vol VIII No 14

April 7, 1973



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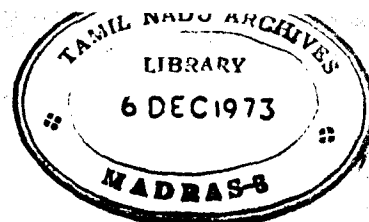
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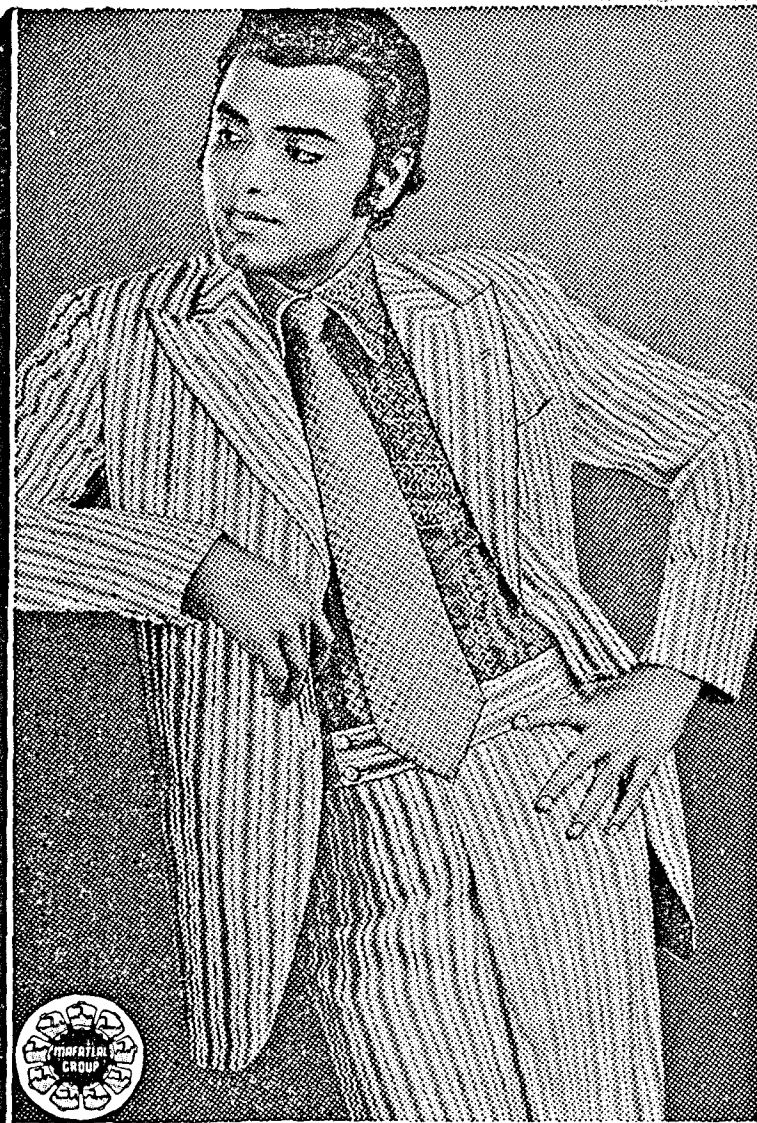
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ECONOMIC AND POLITICAL WEEKLY

Skylark 284 Frere Road Bombay 400 001

Phones 266072, 266073, 260192,

Grams Econweekly

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Pay Commission's Pot Pourri

GIVEN the context, and the somewhat surcharged atmosphere in which crucial economic decisions are taken in this country, the Pay Commission has perhaps done about as well as one could have expected. There is, howsoever faint, a glimmer of recognition in its report that the technical content of government is nearly as important as its administrative content, and thus of the need to narrow the wage differentials currently existing between the two sets of personnel. Slashing down drastically the number of grades and hierarchies was an obvious first task toward the elimination of the claustrophobic anomalies; it would be petty-mindedness to complain that the Commission did not do more than what it has in the matter. The Commission is on somewhat more specious grounds when it claims to have advanced the cause of egalitarianism by narrowing the gap between the highest and the lowest wages in the government sector. What perhaps is more directly relevant is the spread of the duly weighted median income at the two terminal zones. But certainly it was not for the Commission to come up with an exhaustive blueprint for social revolution: that onus clearly belongs elsewhere. Meanwhile, the fact that the Commission has fortuitously drawn the government's attention to the futility of compartmentalised income policies should be regarded as a bold enough departure: a body of such grey eminences could have, after all, taken an altogether juridical view of the terms of reference set for it.

If one therefore still feels inclined to join issue with the Commission, it is because of certain *obiter dicta* generously strewn across the Report. The Commission, having worked out its own criteria for determining the money equivalence of a need-based wage, nonetheless decides to shelve the concept. The majority of the Commission has contented itself by offering entrants to public employment in the junior-most categories a pay packet of Rs 185 per month as against what would have followed from an application of their own concept, namely, Rs 196. According to the majority view, since the government is as yet unable to offer any corresponding sustenance to the much worse-off agricultural workers and the mass of the unemployed, it would be a "misdirection of resources" to underwrite a need-based minimum wage for the government employees.

This is the substantive argument, although the Commission does its utmost to spoil whatever case it may have by tagging on a somewhat spurious, subsidiary plea as well. An entrant to government employment, it argues, is likely to be yet unmarried and, therefore by implication, without any dependents, whereas the estimate of minimum need-based wage of Rs 196 per month is on the assumption of three dependents per individual; on the average; at the end of five years, by which time he could be expected to have acquired some dependents, the employee would in any case obtain Rs 196 per month. This is the fallacy of averages at work with a vengeance. Unless the underlying assumptions are stated explicitly, in actuarial terms it would be difficult to prove the probability of a new entrant having a lesser burden of domestic responsibility than an employee with a certain period of service behind him. Even if perchance any actuarial law to support the argument could be developed, one would still be left to deal with any number of specific instances where, the average tendency notwithstanding, the number of dependents of a relatively fresh entrant to service is substantially larger than in the case of an employee whose career is well advanced.

To return however to the principal theme, namely, the government's prior responsibility to the mass of the unemployed and low-earning agricultural workers. It is a pity that this plea was not invoked when salaries in the range of, let us say, between Rs 1,000 and Rs 2,000 per month was recommended by the Commission for upward adjustment. The invocation of social conscience is a convenient instrument to deploy, but only provided it is not deployed selectively. There is almost a touch of vulgarity in the fact that, as a consequence of the Commission's recommendations, government employees currently enjoying gross monthly emoluments of as much as around Rs 2,000 would in the overall come to gain anywhere between 5 and 10 per cent.

The Commission, it is true, would justify these concessions on grounds of rationalisation, so that for jobs whose social significance is adjudged to be more or less the same, the emoluments also become comparable. However, the objective of rationalisation can be furthered along two alternative directions. One can adjust upwards the scale of emoluments of those who had been till now discriminated against. But the same result can be brought about in case the emoluments of those who had been discriminated for in the past are scaled down. It is not at all certain that the alleged legal difficulties in

There is the other, congenitally bureaucratic argument that by being rigorously stingy at the relatively higher levels of salary scales, you save very little resources, while an extra dose of liberalism at the bottom of the totem pole causes the loss of a huge outlay. It is to the credit of the Commission that it has steered clear of this blatant piece of anti-egalitarianism. This has not, however, made much of a qualitative difference to its conclusions. What must have, imperceptibly or otherwise, worked at the back of the Commission's mind is the notion that as a category Class IV employees contribute only marginally to the social dividend, and therefore one should not expend much sympathy in case they are denied the equivalence of the minimum need-based wage. The anxiety expressed by two members of the Commission, N R Ray and A K Dasgupta, that Class IV office employees be encouraged to improve their skills and, in the process, improve their mobility, is welcome, but in a way this also reflects the latently held view that these groups of employees are by and large worth being dispensed with.

If low-paid employees in government offices are currently contributing only meagrely to the material expansion of the economy, the fault does not lie with them. It is the neo-feudal, neo-colonial administrative apparatus nurtured over the past 25 years which has made them comparatively useless, undecorative appendages of the ruling bureaucracy. And if retrospective retribution is to visit any section of the community for this cumulative idiocy, it ought to be the decision-making politicians and the top bureaucrats responsible for sustaining the system. But apparently they are free; it is only the poor employees at the lowest level who have to abide the question.

The other irony lies in the near certainty that the Pay Commission's admonitions would not put an end to the 'misdirection of resources' alluded to. What resources would be saved by denying the low-paid public employees their demand for need-based minimum wages would now be expended on respectable-sounding boondoggles such as liberal doses of cash incentives for export promotion or encouragement of luxury consumer industries under the alibi of development of backward regions or of the small-scale sector. The overwhelming majority of the unemployed and the underemployed, for whose sake the stern majority of the Commission has

shaved off the princely sum of Rs 11 per month from the pay packet of Class IV employees, will continue to have only these poorest paid category of the employed to fall back upon for survival: for, the government's various schemes for employment creation will merely scratch the surface of the problem, and straightforward unemployment assistance will continue to be regarded as being one of the original deadly sins.

Import Policy

Native's Return to the Fund?

THERE are fewer dramatic pronouncements in the import policy for 1973-74 announced by the new Minister of Commerce than was the custom in the days of his more flamboyant predecessor. The mandatory 'expansion' of the role of public sector agencies in import-export business and additions to the list of 'canalised' items are there, but mercifully we have been spared exaggerated figures of the proportion of total imports routed through public sector agencies. Last year's import policy announcement, for instance, had claimed that imports through these agencies would go up to 75 per cent. In the absence of the relevant statistics (which were released with much fanfare last year), it is difficult to say what the actual achievement in this regard has been. But if the past is any guide, the share of public sector agencies in total imports may be expected to continue around 60-62 per cent in the current year also.

The compulsory export obligation is being extended to a number of non-priority industries manufacturing such products as radio receivers, cosmetics and toilet articles, vacuum flasks and spectacle frames. If units in these industries fail to export at least 5 per cent of their production, they are threatened with a cut in their import allocations. This, it may be claimed, is the first move towards the diversion of the output of luxury goods for export, promised by the Approach to the Fifth Plan. But the government itself appears to have doubts about the exportability of the products of many of these industries. Thus we have the cautious declaration of intent that "more industries will be added to the list based on a proper assessment of export potentials". The cost structure of most of these industries is such that their export potential would appear to

be negligible, unless they are heavily subsidised.

Clearly, the export obligation idea, within the framework of import policy, needs rethinking. Most of the industries subjected to export obligations at present belong to two major industrial categories, viz, engineering and pharmaceuticals. If units in the industries export less than 5 per cent of their production, their import entitlements are liable to be cut, though only in the event of inadequate availability of foreign exchange. However, in the last few years situations in which the government has had to cut import allocations to these industries because of inadequacy of foreign exchange have not arisen. Also, it is well known that administrative laxity in implementing the export obligation scheme enables most of the units to escape the rigours of this so-called 'carrot and stick' policy. The government needs to have a fresh look at the list of industries covered by the export obligation policy and to include many more industries in the list. It must be made clear to units in these industries that they will be denied foreign exchange if they fail to meet their export obligation, irrespective whether foreign exchange is available or not. Second, the imposition of export obligation should be related not to the type of goods — i.e., whether they are non-essential items or essential ones — but to the competitiveness of the industry.

The new import policy has added 11 more industries to the list of 59 priority industries. It is difficult to understand the logic of putting industries producing such items as synthetic detergents, polyethylene, PVC resins and polystyrene on par with industries like fertilisers, drugs and pharmaceuticals and machine tools as priority industries for allocation of foreign exchange. But the dilution of priorities involved in the steady lengthening of the priority lists afflicts wider areas than merely import policy.

The government's policy in respect of registered exporters should also undergo a basic change if it is to make any economic sense. Though the government claims that import replenishment licences are meant to meet only actual import-input requirements, the replenishment licences are in effect no different from the import entitlement licences that used to be issued prior to the June 1966 devaluation. Like import entitlement, import replenishment

enables exporters to get imported inputs far in excess of their requirements and they are able to earn large premiums by disposing of the surplus import licences or imported goods. This year's import policy makes liberal provision for import of even machinery and equipment against replenishment licences.

It is equally disturbing that the government has still not bothered to bring about any co-ordination between the import replenishment and the cash subsidy schemes. A rational export promotion policy would require that the level of cash subsidy should be linked to the foreign exchange earned, net of import replenishment. But in the absence of proper co-ordination between the two schemes, the effective rate of subsidy paid per unit of net foreign exchange earned from export of different items varies a great deal, rendering the export promotion policies highly irrational.

An interesting sidelight on the import policy is that it does not in any way reflect the developing gravity of the foreign exchange situation. Excluding gold and SDRs, foreign exchange reserves have declined from Rs 508 crores in December 1971 to Rs 435 crores in December 1972. The actual decline is much larger if we remember that the non-sterling component of foreign currency holdings is now valued at the current market rate of the rupee which has depreciated by about 10 per cent during this period. The foreign exchange reserves position should be expected to worsen further once the large payments for import of wheat, edible oils, etc, take place.

Since the import policy for the year is generally announced after some foreign exchange budget forecasts have been made internally by the government, the fact that the import policy does not reflect any concern over a likely worsening of the foreign exchange position would suggest that the government has some plans for augmenting its reserves position. It was suggested in these columns some time ago (December 16, 1972, p 2435) that the government would soon need to approach the IMF for a standby arrangement of \$ 400-500 million. The recent defreezing of \$ 87 million of US aid has changed the picture to some extent, but one should not be surprised if the government has already made up its mind to approach the IMF for a substantial standby facility.

West Bengal

Impressing with Weight

LAST month, Sidhartha Sankar Ray's Congress ministry completed its first year of office in West Bengal. If the statistical information dished out by the government is to be taken as an indication of its performance, it might appear that the ruling Congress has made an all-out effort to lift the state's stagnant economy by its bootstraps. Take, for example, the impressive annual figures of additional area irrigated or number of pumpsets distributed or tubewells drilled. If these are to be believed, the present government's performance in every respect has been a multiple success compared to what was achieved by the two preceding united front governments — or for that matter by P C Sen's Congress regime earlier. The amount spent on agriculture constitutes a tale by itself. During a single year the government claims to have spent Rs 47.72 crores. Even this fades in significance when compared with the improvement that is claimed to have been made in West Bengal's complex and difficult labour situation. The number of work stoppages, closures, and ghettos, has markedly declined. The official advertisement also presents some other figures of progress. What it does not care to depict — and understandably so — is the number of new factories opened or the number of old or sick units rehabilitated.

Unfortunately for the government's publicity effort, another official source is also available which gives out very different and unpalatable information. The "Annual Review of West Bengal" says that there were about 708 strikes and lockouts in 1972; and more than 150 units had to close shop because of financial stringency, throwing about 11,000 persons out of jobs. A few units — 22 to be precise — have been reopened: but these are surviving on spoon-feeding. Although the Annual Review has avoided looking too closely at production trends in the state last year, it does come out that none of the major industries fared well. The government might say that those setbacks were due to the intransigence of the workers and their irresponsible union leadership. Yet it cannot deny what has been officially accepted, viz, that the state's economic malaise stems more from the investor's apathy and from official bungling than from labour indiscipline.

It needs to be appreciated, however, that preparation for the present level of achievement was being made even during President's Rule which preceded the present regime. While Left activists were being 'tackled', politically and physically, plans worth crores of rupees were being mooted and promises of even juicier schemes to follow were being dangled before a harassed people. Despite this all-out support operation, the state's economy has not been resuscitated. Even the 17,000 jobs promised in the state secretariat have not materialised. Agricultural prospects have not improved; industrial production remains uncertain. That the government stands on shaky ground is evident from its inability to come out with a prompt reply to the Marxist leaders' challenge regarding the credibility of the government's claims. In any case, even if it fails to substantiate its claims, the ruling Congress party is unlikely to be bothered very much; the government has other ways of proving its credentials. The CRP is ever-present. The publicity claims merely give the Left something to crib about.

Indo-Bangladesh Relations

Protective Measure

THE Government of India's approach to the question of normalisation of relations among the countries of the Indian subcontinent appeared to be fairly clear till the other day. Our view, repeated over and over by the Prime Minister and the Foreign Minister, was that it was upto Pakistan to make the next move by recognising Bangladesh, upon which the ground would be cleared for the repatriation of the Pakistani prisoners of war as well as the settlement of other problems among the three countries. But now the position seems to have undergone some change. P N Haksar, former Secretary to the Prime Minister, is currently in Dacca carrying a special message from Indira Gandhi to Sheikh Mujib. And it has been suggested that after completing his talks in the Bangladesh capital he may go on to Islamabad.

One notable aspect of Haksar's visit to Dacca has been the publicity given to it. There has even been, what clearly appears to be, an inspired leak about the contents of the Prime Minister's letter to Mujib. In her letter the Indian Prime Minister is said to have emphasised the need for a fresh initiative to solve the post-war problems facing the subcontinent. It has also been mention-

ed that the repatriation of Pakistani prisoners of war has figured prominently in Haksar's talks with the Bangladesh leaders, including Mujib.

Does this suggest a shift in our earlier position that the ball was in Pakistan's court or could the explanation be somewhat different? Last month's elections in Bangladesh swept the ruling Awami League back into power and recognition by Pakistan is perhaps no longer the sensitive political issue for Bangladesh that it used to be. At the same time, Sheikh Mujib has every interest in trying to remove whatever reservations aid-givers to Bangladesh may have on the score of the country's relations with Pakistan, especially on the question of the return of the Pakistani prisoners of war. The United States, which has been and will remain Bangladesh's Santa Claus number one, may particularly be expected to press upon the Bangladesh government the view that no purpose is served by hanging on to the Pakistani prisoners of war. For his part, through some of the changes he has made in his cabinet after the elections, especially the transfer of the Foreign Affairs portfolio from Abdus Samad to Kamal Hussain, Sheikh Mujib has served notice that should the need arise, his government would not allow an excess of gratitude to India or the Soviet Union to stand in the way of independent initiatives in foreign policy.

What do these various pointers add up to? Can it be that the Haksar visit to Dacca is the Government of India's response to the realisation that Bangladesh has begun to move in the direction of normalisation of relations with Pakistan without any more standing on the formality of prior recognition by Pakistan and also without being too finicky about prior consultations with India. Apart from the damage to the Government of India's *amour propre* arising out of this development, it also holds the possibility of our suddenly appearing as the bad boys dragging their feet over improvement of relations between Pakistan and Bangladesh. As it is, we have had to carry the can for the unjustifiably long delay in the release of the Pakistani prisoners. After all, the prisoners are physically held captive in this country and the joint command of Indian and Bangladesh forces to which the Pakistani army is supposed to have surrendered was to a large extent only a protocol entity. The danger of being left out in the cold is thus not inconsiderable. And to protect against this danger may be the purpose of the Prime Minister's letter to Mujib and Haksar's trip to Dacca. India, it must be made to appear, is nudging Bangladesh in the direction of "a fresh initia-

tive to overcome the post-war problems afflicting the subcontinent".

Left Politics

In Conventional Groove

A Correspondent writes:

NEITHER its worst enemies nor its closest friends would allege that the CPI has ever been lacking in financial capability. It would not have involved undue strain on its resources to import a hundred thousand or thereabouts of men and women into New Delhi to demonstrate against high prices and against the alleged slide-back of the Union Government from the implementation of 'progressive policies'. A friendly Railway Minister may have offered some marginal assistance, but, even without such assistance, the CPI would have been able to organise the demonstration. One or two minor debating points were scored by the MPs belonging to the Swatantra Party, Jana Sangh and Congress (O) when they tried to raise Cain in Parliament over the episode of ticketless travel by some supporters of the CPI; these were mostly at the frivolous line. To be as clean as the hound's tooth is a concept which does not readily belong to the politico-moral sociology popularised in the country in the past quarter century.

There could be other questions though. A rally of the-kind the CPI organised, there is no doubt, can be a substantial morale-lifting exercise for the rank and file of the party. Besides, in view of the by-now firmly implanted style of political operations, if one wants to make a point, the point needs to be made in New Delhi itself. But will the shape of realities be changed even marginally by such demonstrations of mass support? Will the Government be persuaded to take, as a consequence of the CPI rally, one additional step to restrain the heady spiralling of prices, or to stop making the kind of compromises it has been systematically

making in recent months with what the CPI describes as 'the forces of Right reaction'? The roster of suggestions the party has made for controlling prices consists almost entirely of the old faithfuls, namely, more and more of nationalisation, the taking over of this and that sector of commodity production and distribution. It is as if the eternal verities were revealed, in their full glory, once and for all, in some theses which the party had approved of in some distant past, and time has come to a stop since then. In none of the CPI's prescriptions can one discern any effort to analyse the morphology of production and distribution of individual commodities. The kind of take-overs-made-easy which the government has been recently specialising in have not hurt any of the vested interests; despite the bark unleashed, this would be true even of the take-over of the wholesale trade in grains. If pressed hard, the government may be quite willing to have some more segments of the economy formally nationalised. Since the objective conditions will however remain what they are, there is going to be little impact of such measures on prices, or for that matter on the degree of monopoly enjoyed by the 'vested interests'.

Not that there is any greater order of clarity in any of the other political parties belonging to the Left. Over the entire spectrum their activities are marked by a tenacious reverence for cliches. Doctrines learned by rote twenty or thirty years ago still form the base of their mental frame; even techniques of demonstration are shop-worn prototypes from the past. A handful who, a few years ago, tried to think and act dangerously differently, have been snuffed out, and Left politics in back to its conventional groove. In a sense, there are no greater preachers of the *status quo* than these so-called revolutionary parties, for they refuse to learn a-new, be it a theorem or a corpus of tactics.

Calcutta Diary

A M

THE time has come, the Walrus said. Those, who ought to be in prison, are out; those who ought to be out, are in: would this not about sum up the situation around those parts even as summer, along with the lean season for foodgrains, ensues? Tucked away in remote corners of newspapers, you will find stories of murders, mayhems, assaults, raids by armed gangs. If it were two or three years ago, our conscientious, truth-serving newspapers would have provided those items with shrieking headlines: civilisation has reached the end of its tether: Joyti Basu, assassin, to the gallows; enough is enough, we demand the restoration of the regime of law and order, productive economic activities have come to a halt in West Bengal: the polity must be saved from the marauding Left; the Centre must act and put an end to the gory events.

Today, the scenario is different only in the sense that it is intended to appear different. Murders are minor episodes, newspapers cannot afford on the average more than one-and-a-half column-lines per murder. These murders belong to the inconvenient category: one alleged supporter of the Congress knifing to death, or shooting down point-blank, another supporter of the party does not constitute the stuff out of which hair-raising fiction should be built interminably. In Durgapur, it is not the intransigence of the Left-leaning unions which is choking production: it is the fact of one Congress faction battling it out with another one, with no holds barred, certainly the deployment of sten guns or light machine guns not excluded. Bustling areas in Calcutta may suddenly experience a midday eclipse: traffic will wither away, the local police station will be cordoned off by vicious-looking characters, shops will put up their shutters, factories will stop work, schools and colleges will empty — all the outcome of one Congress group flexing its experimental muscle, and in response to what a competing Congress group had dared to do, maybe the previous day.

Consider certain other facts. An individual who, two years ago, was the Mayor of this city, the largest one in the country on the authority of the 1971 Census, has been living away from his own house for more than a year; he belongs to the wrong party, and the police can offer no assurance that, in case he returns, he would not be

summarily executed by the local toughs, who know of no other goddess than the Prime Minister. According to one count, there are at least twenty thousand such political workers who have been turned into political refugees since last year. Some who had ventured to go back have paid with their lives; these, one presumes, have been deemed as patriotic killings by the police — the files have therefore been closed.

Every dog will have his day; every ruffian is having his. The Congress party, as it is currently constituted in this neighbourhood, provides an interesting sociological study. Take the seediest amongst West Bengal's lot of professional politicians, place them next to elements from the underworld, add a few barristers and other affluent elements, top up by borrowing some intellectuals from the CPI, now stir: the resulting cocktail would represent the character of any typical conglomeration within the party. But the Gresham's Law has taken charge, and the rogues and ragamuffins have pushed the others aside; a deliberate debasing of the political coin has taken place. Ideology has been supplanted by cliches; uncouth bullying has emerged as the dominant style of party politics. The process, we would be told, was already set in motion in the late 1960s, when elements belonging to the Left came to the fore. True, in any period of flux, habitual criminals converge toward, and seek protection from, those who are tending to emerge as politically the most powerful. In the resulting confusion, it often becomes difficult to separate the true from the false, the wholesome from the filthy. The temptation to relax the criteria for accepting new recruits to the fold grows. Many of the Left parties, there is no question, were victims of such weakness during the halcyon days of the United Front.

During the fading days of the Naxalite movements, it would be pointed out, a working alliance was struck between groups of anti-socials and one or two factions among the revolutionary radicals too. Since, for some ideologues, the collapse of law and order, never mind through what means this was brought about, was to be objectively preferred to any other situation, they had no qualms in coming to an understanding with the habitual knife-wielders and wagon-breakers. There were some among them for whom the main

enemy was not the Congress, but the CPM; alliance were therefore formed with avidity with Congress toughs with the single-minded objective of physical liquidation of CPM cadres. But perhaps *agents provocateurs* had also been been simultaneously at work. Certainly the various allegations that the police in West Bengal had, selectively, planted their own men amongst the Naxalites have not been denied.

The inability to see beyond one's nose is a ubiquitous malady. The Left is now being called upon to pay the wages of folly. It is the same flotsam which had tried to be chummy with the Left parties barely a few years ago that now constitutes the infrastructure of Congress strength. There is a difference though. In the past, the criminal elements were always on the fringe of the political movement and would not dare to strut about in the open. A metamorphosis has occurred. You can hop from one area of Calcutta to the next one; the wellknown toughs of each locality need no longer be ashamed of their avocation. The ruling party has welcomed them with open arms, feted and financed them and has offered them *carte-blanche* protection against possible onslaughts upon them by the forces of law and order. The police, on their own, had tried and failed to subdue the Left in this state; it is the toughs and bully-boys who really did the job, and the latter thus think it to be within their rights to lay claim to a share of the Congress gravy.

In recent months, one has often heard of the Left parties being accused of excessive demoralisation at the turn of events. Their workers, it has been said, had no business to run away; they should have stuck to their own areas and organised resistance. There is however the other point of view. In earlier times, the police did not ever come out openly on the side of ordinary criminals; in contrast, those who live by murder are now being deliberately encouraged by the administration. In such circumstances, the traitorous lessons in resistance learned in relatively tranquil times are of no avail.

Meanwhile, nobody knows for sure how many political prisoners are crammed in the different jails in West Bengal. There is a semantic revolution here. The political prisoners are no longer described as such; they are simply hauled into prison under various criminal charges listed in the penal code. The prayer for bail is opposed by the police and generally turned down; in case the examining magistrate does grant bail, the moment the prisoner steps out of

SUBSCRIPTION RATES

	Inland	Foreign (surface mail)
6 months	Rs 40	
1 year	Rs 75	Rs 110
2 years	Rs 140	Rs 210
3 years	Rs 200	Rs 305

Concessional Rates for Teachers and Students

6 months	Rs 18
1 year	Rs 35
2 years	Rs 60
3 years	Rs 80

Concessional rates are not applicable to students and teachers outside India

the court room, the Maintenance of the Internal Security Act is used to recapture him and keep him indefinitely behind bars. There is the case of one particular trade union leader who, in the course of a bare fortnight, was charged under one criminal offence within the jurisdiction of one police station, released on bail, charged under another offence by another police station, again released on bail by a second magistrate, arrested by a third police station for allegedly committing yet another offence within its jurisdiction released once more by a third magistrate; at which stage the MISA was invoked and the agony ended.

If you read the local newspapers, political prisoners do not even exist. Peace has returned to West Bengal. Economic activities are humming. Games and musical soirees and advertisements for lush consumer goods hog the space. If some stray murders take place, let them. The state, after all, has been made safe from the depredations of the Left; what are a few murders set against the gain of such a tremendous order? How does it matter if, in order

to usher in the peace which is the beloved of the plutocrats, the social scum have to be kept in good cheer? There is no peril greater than the peril of ideology. The social scum can be bribed and kept on your side. The idealists cannot however be purchased. Let us therefore honour the former, and let the latter rot in prison.

But can this season last for long? Habitual criminals are habitual criminals. You may try to humour them along, but, beyond a point, their criminality will be out. Once there are no more cadres of the Left left to be beaten up, the criminals will seek psychological release by beginning to fight among themselves: ragamuffin A will be out to seek the blood of ragamuffin B, and it is entirely incidental that, while indulging in the game of mutual liquidation, both swear by the Prime Minister's name. The process has already started. The catalysis of physical tyranny and dishonest public relations it will be soon discovered, cannot provide any satisfactory long-run answer to the challenge of ideology. One must reluctantly, look for other chemistries.

CAPITAL VIEW

Who Rules the Ruling Party?

Romesh Thapar

INDIRA GANDHI will have to move with a certain vigour, even ferocity, if she is to stamp out the disruption that the so-called "forum" activity is causing within the Congress party. In the Capital, during the last week, we have witnessed an open confrontation between Congress MPs belonging to the "Forum for Socialist Action" (largely a get-together of former CPI activists) and the "Nehru Forum" (a combination of traditional Congressmen and anti-communists). This trial of strength in the parliamentary party, weighted heavily in favour of the Nehru Forum, is only bringing the leadership of Indira Gandhi into question.

Take the recent incident. The so-called Socialist Action Forum calls a special seminar whose theme is identical to that of the massive CPI march in the Capital — the threat of Right reaction. An impression is created that the CPI has ordered the seminar, for not only are the sponsors former members of the CPI (includ-

ing Cabinet Ministers!) but CPI leaders are asked to take part in a Congress Party discussion. Read together with reports of the Communist march, heralded by ticketless travel from all corners of the subcontinent, the story begins to circulate that Indira Gandhi is handing the Congress over to the Communists.

The solid support extended to the protests of the Nehru Forum reflects deep fears within the ruling party — and these fears, let it be known, are not confined to those who are disturbed by the progressive thrust of the PM's programme for change. Firm supporters of the Prime Minister, who consciously back her policies, are questioning the wisdom of allowing "forums" to function as lobbies and factions for this or that interest. The urgency behind the demand for discipline is emphasised because loose-tongued colleagues of the PM have been talking of "vice" unable to co-exist with "virtue", of "purges" and "purifications".

Indira Gandhi is not unaware that the party is being infiltrated by all manner of Rightists and Leftists who do not have any respect for Congress aims and methods. The expulsion of such elements cannot for long be delayed. The Socialist Action Forum, the Nehru Forum, the Farmers Forum, the Backward Classes Forum, etc, etc, have certainly helped to expose this aspect of the chaotic organisational state of the ruling party. These forums are building all-India networks and considerable funds have suddenly become available to them. They represent a dangerous threat to the normal disciplines within which a party leadership functions.

So far, all the self-appointed saviours of the party tom-tom their loyalty to the Congress and "to the leaders". However, the knowledgeable know that this kind of practice can change overnight. Congress President Sharma, who has allowed himself to be misused in many ways, should be the first to be disciplined. He needs to be educated about the dangers of infiltration from Right and Left when the ruling party is without the kind of clarity required to resist subversion. Sharma, in other words, shuns his main task — to give the Congress party the intellectual and ideological ballast to cope with the pressures from Right and Left. It is a task which cannot be performed by factional forums. A thinking, sensitive, alive party centre needs organising. Interestingly enough, no one talks about it.

The party of Gandhi and Nehru was designed to respond to the complex realities of a continental federal policy. It was not a party built in imitation of another. Nor did it dance to alien tunes. But the very amorphous nature of the continental party exposed its flanks to penetration. The penetration ceased when there was action to match theory, when the continental consensus carried within it a forward thrust. The penetration increased in a period of confusion. Whether we admit it or not, we are in such a phase of indecision. A great mass ferment has been sparked. We are still groping for the programme which will make an impact on the life and work of the poorest of our people. Until this programme is sketched, there will be intense debate and confrontation, but there is no justification for disruptive forums in the Congress, which turn one party member against another.

The story, pushed by various inter-

ested quarters, that Indira Gandhi is handing over the country to the communists under pressure from the USSR, on whom we are alleged to have become terribly dependent, is a lot of poppycock. Even the communists, hunting for a secure perch on the Congress bandwagon, don't really believe it. They know that when the chips are down, the Congress party

will not play the politics of polarisation. Continental pressures warn against such politics. However, the public has every reason to wonder at some of the statements that Indira Gandhi's colleagues make every now and then. And inevitably, the question forms: who rules the ruling party?

In the coming difficult months,

Indira Gandhi will have to answer this question in no uncertain terms. She understands mass communication. She cannot allow the people to be confused. For a start, her Council of Ministers could be put under discipline. This might also help performance in their respective ministries — performance, that sadly neglected task. April 2.

COMPANIES

Building on Wider Base

Hansavivek

UNION CARBIDE INDIA has been issued a 'letter of intent' for manufacture of 5,000 tonnes of MIC-based pesticides in which it expects to use the maximum amount of indigenous know-how and equipment. The company's application for a licence to be able to import four additional trawlers is still under government consideration. It has also planned shore-based processing facilities so that it can undertake some

consumer packing of shrimp for export. Last year, modernisation of battery-manufacturing facilities continued, and the zinc rolling facilities were completed towards the end of the year. The company incurred capital expenditure of Rs 450 lakhs on various units, mainly for equipment to improve products or to prepare for expansion. The proposed additional expansion for batteries too is still under government consideration. An

industrial licence for manufacture of midget electrodes has been received, but the project has not been yet undertaken as government has imposed export conditions which have rendered the project non-profitable.

Last year, the company spent Rs 37 lakhs on research and development. The Chemicals and Plastics division improved and developed recycling processes of waste streams, carried out catalyst development, and process improvement. Process improvement programmes and development of manganese ore beneficiation were continued

The Week's Companies

(Rs in Lakhs)

	Union Carbide		Electrosteel		Vulcan-Laval	
	Latest Year 25-12-72	Last Year 25-12-71	Latest Year 30-9-72	Last Year 30-9-71	Latest Year 31-12-72	Last Year 31-9-71
Paid-up capital	1229	1229	80	80	63	63
Reserves	1209	1058	143	108	85	85
Borrowings	976	984	107	45	80	68
of which Term borrowings	461	550	54	11	223	208
Gross fixed assets	3811	3457	343	239	—	—
Net fixed assets	2277	2100	181	116	168	146
Investments	—	—	3	8	90	86
Current liabilities	1000	742	130	58	—	—
Current assets	2137	1912	276	167	99	121
Stocks	1680	1460	167	101	397	395
Book debts	405	379	103	64	156	173
Net sales	6155	5113	505	220	236	217
Other income	42	30	7	4	518	393
Raw material costs	2760	2271	190	69	6	4
Wages	1110	913	52	33	152	115
Interest	70	82	8	2	79	70
Gross profit(+)/loss(—)	1302	1063	101	53	19	20
Depreciation provision	271	275	23	9	68	50
Tax provision	635	390	36	23	16	13
Net profit(+)/loss(—)	396	398	42	21	30	22
Development rebate provision	42	66	16	2	22	15
Transfer to reserves	108	117	10	11	3	1
Dividend	—	—	—	—	6	—
Amount	246	215	10	8	13	8
Rate (per cent)	20	17.50	12.50	10	15	10
Cover (times)	1.44	1.54	2.00	2.37	1.27	1.00
Ratios (per cent)						
Gross profit/sales	21.15	20.79	20.00	24.09	13.12	12.72
Net profit/capital employed	11.60	12.16	12.73	9.01	5.66	4.15
Inventories/sales	27.29	28.86	33.07	45.91	30.11	44.02
Wages/sales	18.48	17.85	10.29	15.00	15.25	17.81

in the electrolytic manganese dioxide plant; additional development work was undertaken on carbon electrodes; and import substitution was pursued of raw materials for cinema arc carbons. The Consumer Products division continued developmental work in various battery systems. The Agricultural Products division increased its formulation development efforts, with quality improvement and import substitution programmes. Extensive research was carried out in biological screening of carbonate molecules and in process development of dichloro-benzyl alcohol, iso propyl-phenol, and i-naphthol. Significant achievements in 1972 included: development of the process technology for producing electrolytic manganese dioxide of international quality standards; development of an indigenous method of producing alpha-naphthol; encapsulation of toxic granular pesticides with indigenous equipment; and decontamination of organic waste chemicals in process water by oxidation and biodegradation.

During 1972, the market for UCI's products in general continued to grow but chemicals remained generally depressed, mainly due to excessive imports of plasticisers and plasticiser alcohols. The company envisages continued shortage of polyethylene in the country for several years; it says that government has been importing polyethylene on an *ad hoc* basis and that its application for

expansion of existing facilities, submitted in 1970, is still awaiting government approval. The company's net sales advanced by about 21 per cent to Rs 61.55 crores and, with margins widened, gross profit rose by about 22.5 per cent to Rs 13.02 crores. With the tax liability draining away substantially more than in the last year, net profit was a shade lower at Rs 3.96 crores. Even so, dividend stepped up 2.5 per cent to 20 per cent, was well-covered.

ELECTROSTEEL CASTINGS, Rajgangpur, is setting up a steel melting shop at Ghaziabad with two numbers of 10-12 tonnes electric steel melting furnaces, a twin-strand continuous casting machine and a high-speed steel rolling mill to roll billets into carbon steel wire rods in coils. The installed capacity of this composite unit is proposed at 40,000 tonnes of steel wire rods, for which the company has an industrial licence. The first furnace was commissioned in June and the second in September 1972. Production of steel ingots was initially hampered by shortage of graphite electrodes and later by a power-cut. The position of graphite electrodes remains uncertain, and supply of electric power too may further deteriorate in the coming months. An order for the import of essential components of the continuous casting machine has been placed with Concast of Zurich. ICICI has sanctioned a loan

of Rs 21 lakhs in foreign exchange on the condition that it will have the option to convert part of the loan into 42,300 equity shares of Rs 10 each in the company at Rs 15 per share during 1974-75. For the setting up of the wire-rod rolling mill, the company has appointed a firm of consulting engineers to design the mill and supervise the manufacture as well as to install and commission it. The continuous casting plant is expected to be commissioned by May 1974 and the wire-rod mill by December 1974. Owing to its improved financial position during 1971-72, the company has withdrawn its application for a term loan of Rs 40 lakhs submitted to IFCI. In spite of frequent interruptions in operations, owing to scarcity of power supply, the Khardah unit in West Bengal showed much better results last year. Production of spun pipes improved and sufficient orders were secured at DGS & D rates. Production of steel ingots also showed an upward trend and output of steel castings was restricted to items in which the company has specialised knowledge. Net sales were substantially higher and, although profit-margins contracted, gross profit rose from Rs 53 lakhs to Rs 101 lakhs. The ratio of inventory/sales declined sharply. Dividend, stepped up 2.5 points to 12.5 per cent, was covered twofold. Punjab State Industrial Development Corporation, promoter of 'Punjab Con-Cast Steels' had entered into an agreement

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with the company for technical and financial collaboration for the setting up of a project at Ludhiana for manufacture of 50,000 tonnes of steel billets per annum. The company was later informed by PSIDC about the 'onerous' conditions, imposed by IDBI for granting loans to PCCS, which were 'in serious conflict' with the main terms of the agreement entered into by the company with PSIDC. PSIDC has unilaterally terminated the agreement with the company and it has taken up the matter with PSID. Meanwhile, from October last, the commission payable to the company's sole selling agents has been reduced, from 3 per cent on all the products of Khardah works to 1 per cent on the sale of steel ingot castings and 2 per cent on other products.

VULCAN-LAVAL is seeking government permission to undertake manufacture of tobacco machinery. Meanwhile, the task force set up by government has agreed to fuller utilisation of the company's installed capacity for manufacture of dairy machinery, auxiliary equipment for chemical and dairy industries, separators, vegetable oil plants, etc, on the basis of certain export commitments. As at the end of February last, the company had on hand orders worth Rs 485 lakhs, as compared to Rs 315 lakhs a year ago. Of these, orders for dairy machinery were lower, but those for mining accessories and other industrial equipment increased considerably. The additional duty on stainless steel, proposed in the Budget for 1973-74, is likely to have further adverse effect on

future orders for dairy machinery and equipment. Last year, too, the company experienced keener competition in the field of dairy machinery and had to accept orders on the basis of lower margins of profit. It was, however, able to produce good results by undertaking the manufacture of new products, diversifying the existing range of products, and improving industrial engineering methods. Gross profit increased by over a third to Rs 68 lakhs, following rise in net sales from Rs 393 lakhs to Rs 518 lakhs. Net profit advanced from Rs 15 lakhs to Rs 22 lakhs, and dividend was stepped up 5 points to 15 per cent. In view of the increase in the manufacturing activities of the company, the power of the Board to borrow moneys is sought to be increased to Rs 5 crores.

FROM OUR CORRESPONDENTS

Cover for Wage Curbs?

(From a Special Correspondent)

ONE of the economic shibboleths of the government is that labour in organised industry constitutes a privileged class. And now, it seems, the millennium is at hand for this segment of society. A high-powered Wage Policy Committee, with one of the members of the Planning Commission as Chairman, has just singled out wage and salary earners in organised industry for being subjected to a national wage policy which, according to newspaper summaries of the Committee's report, will ensure to them (i) a minimum wage; (ii) allowance for skill differentials, including compensation for occupations characterised by exceptional hazards or disadvantages; (iii) a 'growth dividend'; (iv) dearness allowance sensitive to price changes; and (v) a share in profits.

On the face of it, this is an impressive list of benefits sought to be conferred on industrial labour. However, the inspiration for the setting up of the Committee and its own approach to the problem leave little doubt that the whole exercise was intended to provide a respectable cover for imposing restraints on wage increases in organised industry. That such an exercise should have been undertaken should come as a surprise to no one. After all, government spokesmen, including the Prime Minister, have seldom missed an opportunity to suggest by

innuendo that if so many people in the country are without work, at least a part of the reason for this is that workers in organised industry are getting away with a disproportionate share of the cake.

As at the end of March 1972, the country had an estimated 185 million "workers". Of these, about 74 million (i.e., about 40 per cent) were wage (and salary) earners. Of these, again, agricultural labourers numbered about 49 million. Of the 25 million wage-earners in non-farm activities, about 17 million were in the organised sector of whom the Committee's report is supposed to relate to some 10.70 million, leaving out government employees covered by the Third Pay Commission. The Committee has suggested the creation of a national wage commission. It will be the responsibility of the board to ensure that wage fixation in the different sectors is in harmony with the national wage policy. The national wage policy, as envisaged by the Committee, is expected to achieve the general objectives enumerated in the first paragraph above. While these appear to add up to a formidable list of benefits for labour in organised industry, a more careful examination shows how false this impression is.

First, the minimum wage suggested by the Committee is based on the mi-

nimum consumption requirement of Rs 40 per capita per month in October 1972 prices — i.e., the 'poverty line' consumption as defined in the Approach to the Fifth Plan. This is the national average and the Committee has suggested that wages should be worked out taking into account variations in cost of living in different centres and regions. This poverty line wage is to be paid by the entire organised sector by 1978-79. But doesn't the Approach to the Fifth Plan promise poverty line consumption (Rs 40 per capita per month in October 1972 prices or Rs 37 in 1971-72 prices) to everyone by 1978-79? So there is nothing in this for labour in organised industry to be enthusiastic about.

Second, the Committee's recommendations about the need for the wage structure to adequately reflect skill differentials, etc, appear to be half-hearted and not based on a study of the problem in depth. It is the Committee's view that "excessive differentials have to be avoided and the need to bring down disparities progressively should be kept in view". The Study Group on Wage Policy appointed by the National Commission on Labour, which had made a thorough study of the subject of skill differentials, had come to the opposite conclusion that the existing "differentials are not adequate for the purpose of encouraging the requisite skill formation. It is extremely essential for a developing economy that these differentials are widened" (Report, p 59). The Wage Policy Committee, it ap-

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pears, has fallen prey to facile egalitarianism without realising the implications thereof.

Thirdly, as a measure of innovation, the Committee has propounded the idea of a 'growth dividend' based on the projected Fifth Plan growth rate of 5.5 per cent in gross domestic product, "to enable the workers to function enthusiastically". However, the actual increase in national consumption expenditure per capita per annum in the Fifth Plan period may not exceed 2 per cent and if the growth is given by a sliding scale of 60 per cent to 20 per cent, the benefit can hardly be attractive to labour. A person drawing a salary of Rs 200 per month or Rs 2,400 per year will get Rs 24.48 for a full year. Even this is subject to a significant qualification: "This extra amount should not be allowed to be spent in consumption but be deposited in a savings account."

Fourthly, the Committee has recommended that dearness allowance, fixed as a percentage of the basic wage, be linked to the regional cost of living indices. After 10 years dearness allowance would be merged with basic wage. It is by now well established that the system of wage fixation in our country has reduced the real wages of workers over a period of years. An important reason for this is the lack of a mechanism for adjusting the total wage to changes in cost of living. As the Government of India's Labour Bureau has pointed out: "in most of the foreign countries such adjustments are made by upward or downward revisions, as the case may be, of wages themselves, but in India a somewhat peculiar system of making a separate payment known as Dearness Allowance has come in vogue." The National Commission on Labour had also emphasised that the existing system of neutralisation of rise in cost of living either through the DA or through periodic wage adjustments cannot fully protect the worker against a fall in his real wages. Firstly, there is a time lag and, secondly, the neutralisation is seldom cent per cent. The Wage Policy Committee has not thought it necessary to even refer to the consequences of the existing system under which neutralisation of increases in cost of living is linked to a small part of total wages and is content to perpetuate the gross inequity in this regard.

As for giving workers a share in profits, the Committee has avoided

detailed discussion of the subject on the convenient plea that the Bonus Review Committee is already seized of the matter.

LABOUR'S SACRIFICE IN VAIN

The government's preoccupation with wage restraint, for which the Committee's report is intended to provide the rationalisation, might have had some justification, firstly, if wage cost had risen so much that it was a significant factor in the persistent inflationary situation obtaining in the economy; secondly, if this labour in organised industry had in the past appropriated a disproportionately large share of the net output they had helped to produce; and, thirdly, if despite decline in real wages and despite inflation being nurtured by factors other than rise in wage costs, there is assurance that the sacrifice imposed on the working class will benefit the unemployed and the poor in terms of greater employment and better incomes.

On the first two of the above points, the National Commission of Labour had made detailed studies and come to categorical conclusions. According to the Commission, "the increases in the money wages of industrial workers since Independence have not been associated with the rise in real wages nor have real wage increases been commensurate with the improvement in productivity" (p 225). Further, "the net effect of the operations of the industrial dispute machinery on wages of factory workers has been that in 1965 the industrial workers at the

lower levels were earning hardly a real wage corresponding to that in 1952" (p 223). And the situation has decidedly worsened after 1965 on account of the sharp increase in the cost of living index. Between 1965-66 and 1972-73 (April-January), the index number of industrial workers rose by over 45 per cent. Yet the share of wages in value added by manufacture has sharply dwindled in the last few years (see table).

As for the impact of wages on commodity prices, the National Commission on Labour again came to the conclusion that "wage costs as a proportion of total costs of manufactures have registered a decline" (p 225). More recent data from the Reserve Bank's studies of company finance confirm this findings. Wage cost in value of output (net of basic duty) has declined from 15.4 per cent in 1965-66 to 14.8 per cent in 1969-70 in respect of the 1,501 large and medium companies (Reserve Bank Bulletin, July 1972). In both cases, there have been larger increases in raw material costs as well as in entrepreneurial profits. Excise duty has also been a major factor in raising the costs of production. The cost of wages, salaries and bonus in respect of 1,501 companies studied by the Reserve Bank (which account for 80 per cent of all public limited companies) amounted to Rs 952 crores, against this excise duty amounted to Rs 707 crores. Of course, there may be some improvement in wage levels because of the strength of the workers' organisations.

SHARE OF WAGES IN VALUE ADDED BY MANUFACTURE

(Per Cent)				
Year	Wages	Salaries	Money Value of Benefits	Total (2+3+4)
(1)	(2)	(3)	(4)	(5)
1949	53.3	10.6	1.1	65.0
1952	51.6	10.7	1.3	63.6
1955	41.8	10.6	2.7	55.1
1958	39.8	11.6	3.3	54.7
1960	39.6	11.4	4.7	55.7
1961	39.2	10.6	4.5	54.3
1962	39.6	11.9	4.7	56.2
1963	37.6	11.9	4.7	54.2
1964	36.5	13.7	5.1	55.3
1965	36.6	15.0	5.4	57.1
1966	36.8	15.9	5.8	58.5
1967	38.9*		18.8	57.7
1968	38.4*		21.4	59.8

* For 1967 and 1968, excluding bonus and hence not comparable with the earlier years.
Source: Upto 1964, Report of the National Commission on Labour (1969). pp 224-25; thereafter Annual Survey of Industries.

That none of these sacrifices made by labour in organised industry has benefited the poor masses is evident from the state of the economy. The level of investment continues to be at a level much below that which had been reached in 1965-66. It is also clear that the Fifth Plan investment projections will hardly take the economy forward in terms of investment or employment ("Polishing the Vessel", Annual Number, February 1973). During the last six years, 1965-66 to 1971-72, employment in organised industry has risen by 10 per cent, i.e., at a compound rate of about 1.5 per cent per annum. Further, organised industry has been able to substitute capital for labour in even traditional industries where the case for such substitution in social cost-benefit terms is weak or non-existent. The increase in the share of 'salaries' in value added by manufacture as against that of 'wages' is evidence of such substitution (see table). The increasing capital intensity has also been induced by the cheap rate at which capital funds are made available to entrepreneurs. There is thus little evidence to show that restraints imposed on labour have yielded any increase in the rate of investment or in employment creation. On the contrary, what has been thus squeezed out has been appropriated by industrialists in terms of larger profits, rich farmers in terms of high and assured procurement prices, and professionals and merchants in terms of tax evasion and avoidance. Apparently, the incomes of none of these latter categories of persons are to be curbed for they are all deemed to be vital to the growth process!

It passes comprehension how a national wage policy can be based on such a biased view of economic processes. Should not those who seek to advise restraint on the claims of labour in the name of growth and employment show some recognition of the need for more efficient and honest collection of taxes, for reduction in non-development expenditure, for curbing investment in a whole host of non-essential and luxury industries, for better management of public sector units, for better utilisation of industrial capacity, for larger procurement of foodgrains and greater production of wage goods so as to contain the rise in the prices of the necessities of life, for some effort at taxation of farmers with large holdings and incomes, and, above all, for

a push to investment and employment? As things are, the demand for restraints on the earnings of labour appears virtually as a substitute for action in any of these other directions. It is thus no accident that it is after

POONA

Industrial Workers Organise Themselves

(From a Special Correspondent)

ONLY 12 years ago, Poona was still a city famous for its educational institutions, its historical monuments, its ammunition factory, and its printing business. Now it has acquired a new face with its modern industrial estates and its complex of industries alongside its old institutions and forts.

Out of 140,000 workers in the Poona-Chinchwad-Pimpri industrial belt, nearly 10,000 workers have been on strike for the past one month. On March 2, following a rally under the banner of 'Seva Shramik Sangha' — from which the INTUC abstained —, a strike started among the workers of the printing industry, one of the oldest industries of Poona. Poona has a high concentration of the state's printing industry and orders are placed with Poona printers from all over Maharashtra. Work in the industry has almost stopped, with 800 workers from 12 big printing presses being on strike. The strike is over the workers' demand that there should be immediate implementation of the 'Abhyankar Award'. Nearly four years ago, a dispute regarding wages and service conditions of printing workers was referred to a Labour Tribunal. At the end of 1972, the Tribunal finally gave an award favourable to the workers; this is popularly known as the 'Abhyankar Award'. The press owners were, however, known to have decided to go to the High Court on the ground that the industry could not bear the cost of the revised pay scales and other benefits. The owners' petition against the Abhyankar Award was filed in the High Court on March 26. Resort to dilatory legal processes is a well-known way of by-passing workers' demands. The workers, therefore, reacted by striking work.

The Aryabhushan Press, where most of the Maharashtra SSC Board question papers are printed, was the scene of disturbance on March 15 and 16. The owners were eager to print the profitable orders of the SSC Board at any cost. As their own workers were on strike, they attempted to get the papers

1965-66, as economic growth has slumped and the government's economic management has lost all sense of direction, that the doctrine of wage restraint has been advanced most insistently.

printed with the help of 'outsiders'. The workers resisted. The State machinery immediately came to the aid of the owners. A D Bhosle, of the Lal Nishan Party and leader of the printing workers union, was arrested along with 22 others. On the following day, 400 workers went out in a morcha to the police station and from there to the printing press. The arrested leaders and workers were finally released on bail.

Another major factory in the grip of a strike is Swastik Rubber Products. Workers started the strike on March 2 because two workers were dismissed for alleged intimidation of a supervisor. Whether or not the story of intimidation is true, the two dismissed workers were known to be active members of the unrecognised union. What is interesting is that, when the dismissal took place at the Chinchwad unit where 1,200 workers are employed, the Khadki unit employing 2,100 workers and Shree Products (an allied company of Swastik Rubber) employing 600 workers also stopped work. The Chinchwad unit started a sit-in, followed by a procession to the others units. R M Chatterjee, leader of the unrecognised union, held meetings and charged the management with refusing to settle the disputes before the Labour Commissioner. The demands of the union were: reinstatement of the two dismissed workers and appropriate dearness allowance to all workers including the large numbers of 'temporary' workers. The management refused to consider these on the ground that the union was an unrecognised one. On March 5, the Swastik management declared the strike illegal and subsequently announced a lock-out. The police made a lathi-charge at a strikers' demonstration on April 2. The same day, R M Chatterjee and some other workers were arrested.

Rajabhadur Textile Mill is one of the biggest mills in Poona; it employs 2,500 workers and its daily production

is about 1.6 lakh bales. Last year, a Labour Court decision did away with weekly holidays and sanctioned the management's scheme for 355 working days. On March 3, rallying behind the call of the Action Committee led by A D Bhosle, the workers took the day off as it was Mahashivratri. The 'recognised' INTUC union did not support the action; the management rushed to the court which ruled that the absence of the workers on that day be treated as a strike. The management went a step further to declare a seven-day week — the holiday wage rate to be paid was to be 25 per cent of the normal wage. As the INTUC union was indifferent to the workers' grievances, an Action Committee was formed under the leadership of Bhosle and demands were made, including a six-day week with a weekly paid holiday, DA according to the Poona Index and not according to the Sholapur Index that was being used by the management, better facilities for workers, sick leave, a holiday wage rate at twice the normal rate as payment for overtime. As the previous strike had been declared illegal, a sit-in was started on March 8 on the mill premises which workers of all three shifts joined. The management, the INTUC union, and the police, all took a tough attitude; but the workers refused to leave the factory premises; the Action Committee and the families of the workers brought food for the workers sitting in at the factory. The Labour Court again ruled that the strike was illegal. A lock-out was declared on March 28 and the strike is in full swing.

On March 21, workers of Mahendra Owen started 'non-co-operation' with management: the food supplied by the subsidised canteen was stated to be of inferior quality and the management was intransigent. On March 29, workers gheraoed an officer for eight hours. R M Chatterjee, leader of the unrecognised union, intervened, and the gherao was lifted. The workers achieved some success regarding their demand.

The strike of the Maswi Company workers started on March 2, under the leadership of the Bharatiya Mazdoor Sangh, for 8.33 per cent bonus. It ended successfully on March 20. Another strike began at the Anti-Friction Bearings Corporation, Lonawala, for reinstatement of refrenched workers, against de-gradation of skilled workers, and against the generally tough attitude of the management. Nycrome Metal workers started an indefinite strike on March 23 for renewal of the old seven-

year settlement which had expired in December 1971 and which the management was unwilling to renew.

Thus the general demands of the Poona workers range from payment of bonus according to law, wage increase, and DA according to the Poona Index, to the oppressive conditions of work. The major strikes are led by unrecognised unions forming action committees; the workers rally behind the unrecognised union while the recognised unions take up attitudes suited to the managements. Evident here, too, is the management's tendency to take shelter behind the dilatory legal machinery. Government, so far, has been apathetic. But this may well be the beginning of more action. Most of the Poona workers are from the local population — unlike in Bombay city, where a large proportion is immigrant. Poona's workers also belong to the post-Independence generation. They appear to be generally free from the social propaganda of the non-progressive local

newspapers. And they have shown, in the recent wave of unrest, an organised strength and discipline which is remarkable. In the Poona strikes one may again find a vindication of the fact that struggle for higher wages does not preclude the possibility of fundamental worker consciousness emerging. When increases in wages are wiped out by inflation, struggles for better wages and better treatment could lead to a more organised working class movement. What is evident again is that, as the recognised unions led by Congress and CPI do not want to take up issues (such as oppressive working conditions and social division of labour) that affect industrial workers but are content to look to bureaucratic solutions, the workers have started to form their own action committees. As a result, wild-cat strikes have occurred. It may be that the leaders of the unrecognised trade unions and action committees are out to get support among the working class. But this may yet be a beginning.

INDUSTRIAL LICENSING

Still Tied in Knots

(From a Special Correspondent)

THE Union Government continues to tie itself up in knots in the matter of industrial licensing policy. Last year, ostensibly for encouraging higher production in important industries, it was decided to accord approval to certain industries for installing additional capacity, without the formality of industrial licences, provided the expansion was brought about without any import of capital goods. This dispensation, which covered 65 lines of manufacturing, did not automatically apply to units belonging to the larger industrial houses and foreign majority companies. A special Task Force was set up to go into the request for expansion coming from the latter group of firms. According to the "Economic Survey", till the end of December, 86 such applications were approved, and included such items as machinery and machine tools, process control instruments, textile instruments, electronic instruments, ball and roller-bearing, switch-gear, paints and enamels, various chemicals and pharmaceuticals, automobile components and ancillaries, optical and laboratory glass, etc.

The spectrum of industries covered was indeed impressive, and could not but lend body to the suspicion that the Task Force was merely a smoke-screen, a token homage to the conventional

grammar. The modified industrial licensing policy issued in February, incorporating a 'consolidated' list of 'basic, critical and strategic' industries which are to be open for the participation of larger industrial houses and branches and subsidiaries of foreign companies, further clarified the government's not-yet-quite-dared-to-be-explicitly-spelled-out intentions. The list is supposed to encompass core industries of importance to the national economy in the future, other industries sharing direct linkages with such core ones, and industries with a long-term export potential. Since practically any and every industry can, with some mild semantic effort, be covered by these descriptions, let some time pass, the government would not perhaps find it at all difficult to convince itself that the nineteen industries specifically listed in the statement were for purposes of illustration only, and that there could be other, equally legitimate candidates.

The expression 'core' was much too rigid; the terms 'basic, critical and strategic', on the other hand, have a certain plasticity about them. And this definitional liberation can save the government from other kinds of jam that may be in the making. For example, if

it is decided to freeze the capacity of foreign majority companies producing so-called non-essential items, a subsidiary decision has to be taken as to the disposal of their profits. In case dividends are not to be permitted to soar beyond a point in order to prevent the drain on foreign exchange, the companies might legitimately seek to spread out laterally. Certain tax privileges, after all, accrue to a foreign company if, instead of declaring dividends, it ploughs back profits into new investment. Where such plough-backs are discouraged within the industry itself, the foreign majority companies would naturally demand permission to enter other spheres of activity. The government can now welcome them in 'basic, critical and strategic' industries. However, since the companies will be choosy, and will prefer industries with prospects for high and quick returns, an impasse is bound to be reached unless a definitional flexibility is built into the new-look industrial policy.

This flexibility is now very much on, as illustrated by the phenomenon of the India Tobacco Company succeeding to cajole the government to allow it entry into hotel-building or fisheries. Investment in hotels, under some variant of project analysis, may indeed be shown to yield a sufficiently high rate of return and therefore to belong to the category described as 'of importance to the national economy in the future'; given the prospects of invisible earnings, such investment may also be passed off as having 'a long-term export

potential'. But, with altered assumptions, it may also be possible to reach a different conclusion: given the government's stated anxiety to prevent the expansion of the luxury consumption sector, it is — one can argue — odd to allow private foreign capital to go into the development of hotels.

As the econometricians would say, the licensing system is clearly in danger of being over-determined: there are too many objectives being loaded on a single instrument of policy. Could it be that one way out of the impasse is to arrange that all funds deemed surplus with foreign majority companies be compulsorily deposited in a public investment trust against the payment of a minimum rate of interest? Such a step, it may be maintained, would dry up the flow of private foreign capital into the country. But, in any case, if the government's pronouncements are to be taken at their face value, foreign capital is not supposed to be encouraged in non-essential lines of production; as far as the more vital industries are concerned, the injection of fresh funds from abroad are these days almost invariably subject to bilateral negotiations between the Government of India and the government of the country from which the funds are expected to come. It would be altogether strange if, in case the socio-political objectives set for the domestic sector of the economy clashes with the keenness of one's desire to have a larger inflow of private foreign capital, the former is abdicated in favour of the latter.

NORTH

Akalis on Warpath

PERHAPS the most disconcerting development in Punjab during the past few weeks has been the Akalis' drift towards extremism and the adoption, by their legislature wing, of anti-national postures. They have renewed their demand for a Sikh homeland ("where the Sikhs' aspirations are fully expressed") on the ground that justice is not being done to the community under the present dispensation. The draft of a policy statement, to be issued later this month, enunciates the Akali Dal's political objective and expresses its decision to launch a struggle for a separate independent entity — the Khalsa Panth, which was the late Master Tara Singh's slogan for a Punjabi Suba. Thus the old theme of state autonomy, vehemently voiced by the DMK and echoed by the former Akali

ministry, has been revived. The Akalis' attitude towards the Centre comes through in the party's demand in the state Assembly for an early repatriation of all Pakistani POWs not wanted for war crimes trials and without waiting for Pakistan's recognition of Bangladesh; the Akalis contend that the stalemate on this question is of India's making. P S Badal, former Chief Minister and the new leader of the Akali Assembly party, has gone so far as to say that India would be responsible for any 'confrontation' with Pakistan or any other country. He has also attacked India's foreign policy in general. The Akalis insist that India's relations with neighbouring countries, particularly those where Sikhs live or where they have their religious places, should be friendly and warm. Signifi-

cantly, Radio Pakistan goes out of its way to please the Sikhs and daily conducts a half-hour programme ('Punjabi Darbar') for the community.

Undeterred by Akali manoeuvres, Communist 'morchas', and other agitations on prices and ceilings, the Punjab Government is going ahead with its manner of business. The "Approach to the Fifth Plan, Punjab State", presented to the Assembly on March 27, talks of the government's intention to make massive efforts to step up the present growth rate of 7.2 per cent to 8.2 per cent through a bold programme of industrialisation and development of the infrastructure for farm and factory. To achieve this growth target, an investment of between Rs 1,600 crores and Rs 2,150 crores in the public and private sectors would be needed during the Plan period. Besides the problem of finding such huge resources (since Central public sector programmes rarely favour Punjab), the apparently endless power famine may prove a major hindrance to rapid development. The only way to ease the power constraint, it is felt, would be by construction of a 1,000 MW nuclear power station in the state.

The Approach Paper outlines the government's five main objectives: (i) reduction of poverty through institutional changes, employment-intensive programmes, etc; (ii) rapid increase in the state's income; (iii) removal of regional disparities through speedy development of backward areas; (iv) provision of essential consumer goods at reasonable prices to the vulnerable sections of the community through a public distribution system; and (v) effective steps to solve the problem of unemployment among the educated. The document warns that, in agriculture, it might not be possible to maintain the growth rate of 7 per cent achieved between 1966-67 and 1970-71, because of the flattening out of the gains of the 'green revolution'. A growth rate of about 6 per cent in the farm sector may be possible, however, by diversification of crops and optimum use of land and water resources with a view to ensuring higher intensity of cultivation.

HIMACHAL'S ECONOMY

In line with the current syndrome, Himachal Pradesh has left uncovered a gaping Rs 9.98-crore deficit in a Rs 115.50-crore budget. But while most other states hope to square up accounts through larger loans and economies, Himachal Pradesh relies on its traditional source — the Central Government. The state's deficit has been mounting

faster than its domestic receipts — from barely Rs 30 lakhs in 1971-72 to Rs 6.10 crores in 1972-73, and a further 50 per cent increase is estimated for 1973-74. Despite all the talk of 'a viable economy' befitting a full-fledged state, Himachal continues to bank on excessive Central props. The lopsided fiscal structure is evident from the fact that, while the state's domestic receipts for 1973-74 are put at Rs 35.94 crores, Central loans will amount to Rs 37.76 crores and grants to Rs 31.81 crores — together constituting over 66 per cent of the total revenue. Another striking feature of HP's economy is that its expenditures on establishment constitute about 101 per cent of its domestic receipts; there is no sign yet of this disproportionate allocation coming down. Much is made by the government of the 64 per cent increase in domestic receipts between 1968-69 and 1972-73, but the fact is that most of this increase has resulted from the natural buoyancy of revenues.

Tax-free budgets have by now become a tradition in this hilly state, even though there is scope for supplementing the revenues — by tapping the apple and potato kings, for instance; but the

apple and potato kings pull all the political strings. There are no signs either of a streamlined administration. That there are loopholes in the tax-collecting machinery is clear from the recent disclosure that sales tax arrears have been increasing even faster than sales tax revenue. In 1971-72, these arrears rose to Rs 5.54 lakhs. No claims have been made about lowering this outstanding amount. On the contrary, the state has decided to withdraw Bangla levies as in Haryana — a decision which has naturally been welcomed by the people. There is also considerable support for the government's submission to the Sixth Finance Commission that the devolution of funds be readjusted so as to "break the vicious circle of backwardness breeding backwardness". True, the state has a narrow resource base; even so, the government could, with some courage, make the people who have the capacity contribute a more equitable share to the exchequer. Enhanced internal revenue would surely help avoid repetition of the strange spectacle of the government seeking a Central loan to cover the Assembly Speaker's travelling expenses during a foreign trip!

KERALA

United Front and Panchayat Elections

THE cloud that had gathered over the United Front government has disappeared with a drizzle. The national PSP, with two members in the Assembly, has broken away from the Front. This has reduced the strength of the Front to 68 in a House of 134. However, when the vacant Kondotti seat, a safe one for the Muslim League, is filled up later this month, the Front may expect to increase its strength to 69. Though E M S Namboodiripad is threatening to confront the government with more intensive struggles, it is not clear what weapons he has left in his armoury for immediate use. The real difficulty for the Front may, however, arise when the panchayat elections take place in May. The Tirur municipal elections, just over, have given an indication of the direction in which the wind is blowing.

Tirur is a small town which became a municipality recently. It is in Malappuram, a new district formed during the Namboodiripad ministry to oblige the Muslim League. The League considers the district as its homeland. The Tirur municipality has 24 seats. The United Front could not agree on contesting the elections jointly. As a result,

the League fielded 20 candidates and supported one RSP nominee and three Independents. No other party, except the Jan Sangh, put up party candidates officially. But members of the other major parties came together and contested as Independents under the label "Pouramunnani" (People's Front). The Pouramunnani contested all the 24 seats. The Muslim League won 15 seats, and the Pouramunnani 8, of which Congress got 3, CPI(M) 2, CPI (Rebel) 1 and Independents 2. The remaining seat went to a Jan Sangh member who had contested as an Independent. A striking aspect of the Tirur elections was the coming together of the Congress and CPI(M) in the Pouramunnani. How this happened has not been explained clearly by either of the two parties or anyone else. Of course, Tirur may not be repeated.

The panchayat elections due in May are of crucial importance. There are 960 panchayats and they cover the entire state. Would the United Front be able to contest the panchayat elections jointly? It is to be expected that each constituent of the Front will claim more seats than warranted by its actual

strength. Ordinarily such disputes are not beyond settlement through political bargaining. But there is a peculiar difficulty here. The Muslim League, one of the constituents of the Front, is not a political party in the ordinary sense. It is a communal body and, to ensure its position in the community, it requires the recognition of the other ruling parties that it is the sole representative of the Muslim community. And so, as happened in Tirur, it will press for all the panchayats in the Malappuram district to be allotted to it exclusively and for weightage disproportionate to its actual strength in the other panchayats. At the same time, however, the Muslim League would be the last to wreck the present government and go into political wilderness. The RSP is likely to go all out to support the League. The Congress holds the trump cards. Will the Congress and its ally, the CPI, be able to play their cards cleverly and to outmanoeuvre the League and the RSP. It would be difficult to avoid a rift in the Congress ranks if the League is given too much weightage. Also, the Congress may not be able to ignore the consequences of such a move at the all-India level.

There was a sign of relief in ministerial circles and the opposition camp was visibly lacking in enthusiasm when the latest round of strikes and agitations came to an end without any apparent success. It may be some time before the political gains and losses are known. It was against this background that the budget session of the state Assembly started on March 9. There was nothing new in either the Governor's address or the budget presented by the Finance Minister. However, during the discussions a lot of criticism was directed by the opposition benches against the government's police policy and its attitude to the deepening economic crisis.

In his address the Governor had complimented the police for its efficiency and tact in handling the waves of agitations and strikes in the last few months. And the Home Minister made it clear in the Assembly that the role of the police was to maintain law and order and that it could not be looked upon as an instrument for social change. Against this statement, it was easy to understand the opposition parties' contention that the government's police policy was directed against people's movements.

In regard to the economic situation, the budget speaks for itself. By March 1974, the liabilities of the state would increase to Rs 608 crores against assets of Rs 506 crores, leaving a gap of Rs

102 crores, an increase of 16 per cent over the previous year. Besides, the year would end with a deficit of Rs 44.18 crores on revenue account. No fresh taxes have been proposed. The Finance Minister is pinning his faith on the Finance Commission to solve the problems of the state. And upto a point, the Finance Minister was prepared to agree with the opposition that the rising prices, growing unemployment and widening inequalities were the result of the wrong policies of the Central government. But his approach to the Centre to get the policies changed is similar to that of the moderates during the British days. Those who watched the performance of the Finance Minister could not fail to appreciate the Governor's sense of humour or cynicism (depending on how one looks at it) when he finished his address with a prayer to God to bless the state.

★

The District Court at Tellicherry celebrated its centenary last week. The occasion attracted many legal luminaries and interesting discussions took place on various aspects of law, including the law's delays. Justice Beg of the Supreme Court presented a learned paper on Muslim personal law reform, a subject which has been agitating the minds of progressive Muslims for quite some time. Justice Khalid and his colleague, Justice Moidu, of the Kerala High Court had also papers on the subject.

Justice Khalid rightly pointed out that the law applicable to Muslims in India is Anglo-Mohammedan law and not the Shariat law. All the three judges were critical of the abuses of Shariat law by its wrong application in India to marriages and divorce and of the hardship caused to women as a result. They emphasised that polygamy was a rare exception and divorce was not easy and simple in Shariat. They also pointed out that most Muslim countries had made reforms to alleviate the sufferings of Muslim women. Justice Beg went to the extent of suggesting a common civil code applicable to all or at least giving the option to those who wanted such a code in preference to the present uncoded Muslim personal law. Justice Khalid wanted only a codification of Muslim personal law according to true Shariat law.

From the discussions, it was difficult to avoid the conclusion that Muslim personal law required codification. Who is standing in the way then? Why is the Muslim League not taking a lead in the matter?

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With the death of K M Cheriyan,

Kerala has lost an eminent public man and journalist. He was the managing editor of *Malayala Manorama*, the leading daily in Kerala. The paper was founded by his grandfather more than 75 years ago. Cheriyan took it over from his father, Mammen Mappilai, in 1954. The circulation of the paper was then 54,000. Today, it is being published from Kottayam and Calicut simultaneously and the circulation is nearing 3 lakhs. Cheriyan made *Malayala Manorama* into an all-Kerala paper by keeping it above caste, community or re-

ligion. Though financial control was firmly with him and his brothers, the first person singular was not in his vocabulary. The paper could be highly critical of policies — it has not yet reconciled itself to the socialist policies of the government — without being offensive.

Tailpiece: Thanks to the Muslim League, Arabic has an important place in the school curriculum of Kerala. Arabs apparently pronounce Kerala as 'Khair-allah, meaning the land blessed by Allah!

BANARAS UNIVERSITY

Students Can Be Pawns

N K Singh

THE Banaras Hindu University, India's largest campus, is once again in turmoil. And once again it is tension masterminded by a handful of student politicians. Although, at the time of writing, it seems unlikely that the University will witness any more violent eruptions during the current academic session, sporadic disturbances cannot be ruled out.

The trouble at BHU has distinct political overtones (see 'Part of a Larger Plan', March 10, 1973, pp 504-506). The confrontation is no longer between the university authorities and the student community. It is now effectively between the Congress and CPI on the one hand and the united opposition front comprising CPM, Congress(O), Jan Sangh, SSP, SP, BKD, and Swatantra on the other. The agitation is being conducted on a highly sophisticated political level.

The campaign, led by RSS, JS, the Vidyarthi Parishad and the Bharatiya Yuva Sangh, and supported by the Youth Wings of the other parties opposed to the Congress, is directed against the Congress party as such — and only indirectly against Vice-Chancellor L K Shrivastava, though he is of course the immediate target. Thus the agitating students have been demanding his resignation with slogans such as: "A double agent of the Congress and the CPI". Wrote the JS daily, *Motherland*: "So long as this political puppet plays his nefarious game in BHU, it is not clear how peace and scholarship can return to the university".

An idea of the political edge may be had from the debate on March 25 in the Varanasi Municipal Corporation. The Jan Sangh which had formerly rejected a motion seeking to discuss the

situation at the BHU because "the house had no jurisdiction over it", now supported a similar motion when it was brought to the House. The earlier VC, Amarchand Joshi, was after all an RSS man and progressive students were fighting against him; now the VC is a Congressman and the RSS is heading the agitation. Similarly, BHU may be suffering from the "corruption and nepotism" practised by the university authorities, as has been alleged by the agitating student leaders, but the RSS-led movement itself has little to do with students' problems or with contradictions that plague academic life. The movement seems to be motivated more by the 1974 elections to the UP Vidhan Sabha. It is with an eye on the elections to the Vidhan Sabha, that parties of 'extreme Left' and 'extreme Right' seem to have decided to take extra interest in BHU and put up a joint front with a view to fomenting disorder on the campus and frustrating the efforts of the VC to ensure the functioning of the university. The opposition parties' hope seems to be that, if they can successfully provoke clashes between the students and the provincial armed constabulary and police force, the latter's resort to lathi charge or firing might alienate university's 14,000 students and the other local population from the ruling party.

So the youth wings of the opposition parties, guided by their all-India leaders, have been systematically disturbing the peace at Banaras ever since mid-November. The RSS-led agitators have been resorting to violence and coercion to create situations in which the authorities are compelled to take a tough stand or to concede demands; it is 'heads I win, tails you lose'. The main

demand now is removal of the VC, "if the university was to be saved". The University had to be closed *sine die* on December 2, 1972, after some 20 days of violence, arson, looting and assault on students and teachers alike. The RSS-led Student Action Committee, which was mainly responsible for the closure, then launched a campaign for the university's reopening. Yet, when the university started to function again from February 28, the Committee launched another agitation re-creating anarchy.

The pretext for this renewed agitation was provided by the expulsion of six students — among whom was the RSS Vice-President of the BHU Students Union — by the VC, following the report of a three-member Enquiry Committee headed by a former judge of the Allahabad High Court, Gyanendra Kumar. The Committee had been appointed to inquire into the charges of indiscipline and misconduct against 32 students — a majority of them belonging to the RSS and Rajnarain Socialist's Samajbadi Yuvajan Sabha — and it had upheld "one or more" charges against the six students out of 16 cases into which it had inquired. The Students Action Committee organised a relay fast from March 1. On March 10, the Save BHU Citizens Committee, comprising representatives of all the opposition parties, staged a demonstration and held a meeting at the campus gate. It announced that the audience would "march into the university, take possession of the Registrar's office, the proctor's office and the Central Office". The rally was addressed by Rajnarain (SSP), Gauri Shankar Rai (Congress-O), Satyanarain Singh (CPM), Pitambar Dass and M P Tripathi (Jan Sangh), who delivered fiery speeches and attempted to lead the way into the University through the main gate. Hardly 200 people responded to the call. In any case, police barred their way. (An earlier call for 'Banaras Bundh' given by the same organisation had proved an utter failure.) The next two days witnessed further incidents of violence and arson.

What the opposition parties fail to realise is that, while the RSS-JS combine tries to make out that their campaign represents a broad consensus of different opinions, it is in fact exploiting the opposition parties' informal association with the movement. Excepting Raj Narain Socialists, none of the other political parties whose leaders were associated with the March 10 raid on the University have any following at all within the campus. Moreover, the movement has an unmistakable communal

character: of all the Departments, it was the Department of Urdu and Persian which was selected to be put aflame during the recent disturbances.

In such circumstances, the BHU students' allegations, contained in their memorandum to the President, charging the VC of complicity in irregular admissions, disbursement of aid meant for poor students, and even favouritism in examination and appointment of teachers, and blaming him fully for the four unscheduled closures aggregating eight months during his tenure, lack sufficient credibility. The argument that "the students behave the way they do because of the lawlessness that permeates the university administration" is simplistic and does not wash the large-scale violence on the campus. At the same time, the university authorities' view of the situation, as a basically law and order problem, is unimaginative and unhelpful. The trouble may be immediately political, but it also has deeper social roots. Like all campuses in the country, the BHU is prone to corruption, nepotism, and undemocratic operation. While immediately the situation may be brought under control by recognising the share of political party interests in it, it cannot stay under control unless the future of 14,000 students is safeguarded by more fundamental reform of the university's method of operation.

An epilogue may be found in the fact that while the BHU Teachers Association has once again appealed to all political parties and their leaders to refrain from interfering with the academic life of the university — the Association had made a similar appeal in November — 'RSS Bhawan' continues to be housed on the campus and the 'Swyamsewaks' continue to brandish their lathis.

Tibet and the Musketeers

G P Deshpande

A SECTION of the Indian elite has always been keenly interested in Tibet and its future. This group of the elite can be broadly divided into two categories. The first category consists of those whose attention was drawn to 'the Tibetan problem' mainly because China which claimed Tibet as part of its territory happened to be ruled by the communists. If it was Chiang Kai-shek who had sought to consolidate Chinese claims on Tibet, they would probably have completely ignored the matter. In other words, these people got interested in Tibet because of the cold war and their rather feverish anti-communism. The people belonging to the second category, no less anti-communist themselves, were mainly interested in Tibet for historical and cultural reasons. These people sincerely felt that Tibet historically and culturally had never been a part of China. Some of them also saw Tibet's cultural relations with India being as important as those with China, justifying thereby the separate historical identity of Tibet.

Both these groups have by now borrowed so much from each other's arguments that it is probably not possible to say with any certainty who belongs to which group. But it is important to see the difference between the two lines of argument. The first line is easily taken care of, as the cold war is practically over now. The second line of argument is still relevant. These were times, particularly during the fifties, that those

who followed the second line were themselves as anti-communist as the others. It would appear that if Sino-Soviet differences continue unabated, there may also turn out to be some decent socialists who may begin to see Tibet as an independent cultural and historical entity. If this were to happen, Tibet would once again become a centre of yet another cold war — a cold war between the two communist giants.

Admittedly, this is no more than a possibility at the present moment. If Sino-Soviet tensions do get diffused, then this may not happen. But that such a possibility exists, once again draws out attention to the inevitable 'international' character of this problem. It is interesting how history repeats itself. When for the first time Britain pursued a policy of making Tibet a buffer state, it did so to check the expansion of Tsarist Russia. As Britain saw it at that time, Russia had clear designs on Tibet. In other words, Russian interests in the Central Asian periphery of China were an important factor in the late nineteenth and early twentieth century politics of this region. Now it is the Chinese who are giving vent to their fears of Russian interests and machinations in this area. Tibet and Sinkiang have once again become very sensitive spots.

It is not my purpose here to go into the relative merits of the Russian and Chinese arguments against each other. Nor is it necessary. There are, how-

ever, two important differences in the situation which have to be taken into account: For one thing, China was rather a passive actor in the nineteenth century developments. It had little option but to watch helplessly the various moves and counter-moves in and about Tibet. All that China succeeded in doing was that Britain did not recognise Tibet as an independent sovereign state. The British did concede Chinese suzerainty over Tibet. One does not know whether this typical Anglo-Saxon exercise of distinguishing between sovereignty and suzerainty made any sense to the Chinese. The Chinese, in any case, seemed to have ignored it and continued claiming full sovereignty over Tibet. Secondly, the two powers between which Tibet was a buffer were great imperial powers, Russia and Britain. China, on the other hand, was a weak power. The imperial dynasty of China was already in its death throes. The picture would have been radically different if a strong central authority had existed in China.

These two factors made the political game in the Central Asian region a very different one from what it is today. The argument, 'Tibet a buffer state then and Tibet a buffer state now', is plain nonsense as it ignores some very fundamental considerations. It was then easy for Britannia to maintain that buffer state with the hapless, defeated Chinese just looking on. It is simple unreason to hold that a similar feat is possible for a weak India *vis-a-vis* a nuclear China today. For India to think so would be a clear symptom of megalomania.

It can be argued that while the feat of liberation of Tibet is not possible for a weak India, this may be possible for a super power like the Soviet Union with Indian sympathy and aid thrown in. But it would appear that the crux of the Tibet problem is this: whether the Soviets are interested in such a project and if so whether they could really succeed in accomplishing it. I do not know whether the Soviets are or are not interested in the dismemberment of China. It is futile to go on speculating about that. What may be more useful and relevant is to see what chances there are of the Soviet Union being successful in such an undertaking. In other words, it may be fruitful to see whether there exist some factors which the Soviet Union will have to reckon with before it could pursue any policy regarding Tibet.

To begin with, it is worthwhile noting that Britain being a non-regional power had no minority or integration problems

involved in its dealings with Tibet. In the case of the Soviet Union, the situation is quite different. A strong, organised China can give the Soviet Union considerable trouble in this sphere. There is no reason to believe that the Soviet Union's problem of Asian minorities is already taken care of and that while disturbing the Chinese nest in Sinkiang or Tibet it would not be asking for trouble. The chances are that it certainly would. The likelihood, therefore, of Tibet and Sinkiang being the Soviet Union's propaganda ploys against China is higher than of any serious Soviet involvement in these areas.

The time has come also to ask yet another question. Is it really possible in today's world to carve out an independent state from an already existing larger one, even by military means? Bangladesh and the war that went with

it would probably find many Indians answering that question in the gleeful affirmative. Was not Bangladesh more the exception than the rule? Have we paused to think whether the geographic absurdity of Pakistan did not play its role in the drama last year? If Bangladesh had been geographically contiguous to the rest of Pakistan, would the outcome have not been different? Would, in that case, the Bengalis in East Pakistan not have met with a similar fate as the Ibos in Nigeria did? Would not the war in Pakistan then been too long and arduous, thus bringing many a skeleton in the Indian cupboard to life? I do not think that these questions have even been asked in this country, let alone answered. Had it been otherwise, so many musketeers would not have come forward to champion 'the cause of Tibet'.

VIETNAM JOURNAL

Development of Agriculture

Harish Chandola

IN North Vietnam's history, the problem of food, which was mainly that of rice, had remained insoluble until recently. Food shortages, of a periodic character occurred yearly, with famines causing thousands, sometimes millions (as in 1944-45), of deaths. In one of the best pre-War years, 1939, the total output of food crops reached 2,728,300 tons, including 2,467,500 tons of paddy for a population of 12 million. Each inhabitant got 227.7 kilograms of food that year, including 205.6 kg of paddy (a kilogram of paddy yields 0.65 kg of rice on the average). After land rent, debts, taxes and other extra charges had been paid, there remained for most peasants only about three months' supplies of rice in the whole year. On the other hand, the rich squandered the rice and had it exported to meet their luxury expenses.

Agriculture, the fundamental economic branch, was poor, unbalanced and backward. In those conditions of fragmentary and small production, the Vietnamese peasants did not have the material means to fight against natural calamities, improve techniques and farm-tools, increase yields, carry out extended production. Rice remained the prevailing crop. Animal husbandry, a mainly family occupation, was not able to supply either the necessary number of draught animals or the manure necessary to get higher yields. Crop production, marking time during centuries and confined

within the limits of an overcrowded delta, could only provide a meagre ration to a constantly growing population. The land, fertile as it was, did not nourish man. Man, industrious and intelligent as he was, was powerless in the face of the blind forces of nature and could not take out the necessary products from the land; toiling and moiling all the year round, he never ate his fill.

"To solve the question of food basically" was the immediate task set forth by the North Vietnamese leadership after the restoration of peace in 1954. Land reform was effected from 1954 to 1956, which thoroughly swept away the class of landlords and gave land to the tiller. But owing to the shortage of cultivable land, each peasant received only a small plot: 810,000 hectares were shared between two million peasant households. However the peasant, now owner of his land, freed from the feudal and colonial yoke, encouraged and assisted by the state, set to work enthusiastically. The land reform brought a sharp increase in production. The total output value of agriculture, on the basis of 1956 prices, went up as follows — 1955: 100; 1956: 117.8; 1957: 121; 1958: 140.7; 1959: 152.4.

However, the good effect of land reform had its limits. The results of 1959 soon appeared to be the maximum one could get with tiny individual holdings, which could neither promote the

application of new techniques nor ensure a stable living standard for the peasant. The small farmer remained powerless in the face of natural calamities and could not invest in important works; the exhausted land could not give bigger yields. A bad harvest or an illness would be enough to compel the small peasant to sell all or part of his possessions and the rich peasants had already begun to profit from usurious loans.

The free development of small mercantile production, paving the way for the spontaneous development of capitalism, would have entailed a rapid pauperisation of all the masses of poor peasants and a return to the past. The merchants had resorted to speculative methods, disorganising the market at the expense of the labouring people. In the years 1956-58, a differentiation began to appear among the various strata of peasants.

In the years following the land reform, a question was clearly posed: which way was to be adopted, that of capitalism or of socialism? The Vietnam Workers' Party debated this and then its Central Committee at its Sixteenth Plenum in April 1959, passed a resolution, which said: "In these circumstances, agriculture co-operation is necessary not only for the development of agriculture and the steady improvement of the peasants' living conditions, but also for the consolidation of the worker-peasant alliance on a new basis."

Co-operation among peasants in farming tasks was not a new thing. After the land reform and redistribution of land, peasants had formed mutual aid teams to do farming work collectively. By the end of 1955, there were 153,000 mutual aid teams, which included 40.5 per cent of peasant households. In that year, however, there were only eight farming co-operatives.

The peasant had remained a small owner, strongly attached to his plot of land, and afraid of his holding disappearing in the midst of a collective holding, of which the village co-operative was to be the new owner. Entry into a co-operative gave rise in each individual, in each family, to a conflict between two aspirations, the one as deep as the other, between the certitude of having something well in hand and a vision of the future proposed by the Party in which everyone had absolute confidence. After all, it was the Party, which had freed them from the feudal and colonial yoke and given them their personal plot of land. Many hundreds of thousands of peasants had become members of the Party during the strug-

gle against the French and the Party had instilled in them clear ideas about socialism.

The conflict within the peasant about joining a co-operative and giving his plot of land to it, however, remained. It was settled on the basis of a triple principle: voluntariness, mutual benefit, democracy. No one was forced to join a co-operative. And even after joining, a farmer was free to leave it at any time. In fact several farmers did actually leave the co-operatives they had joined when those were badly managed. But over the whole country, the number of requests to leave at the most difficult moments only amounted to 1.6 per cent of the total number of peasant households.

To encourage peasants to join co-operatives, the Party began educating them actively, inculcating in them socialist ideology, and it also carried out experiments from which lessons were drawn. In all villages, innumerable sessions of study and discussion were held, at which the question was posed again: which road should one choose, that of capitalist development or that of socialist development? It turned out, contrary to common belief, that the attachment to individual farming was not stronger than the aspiration for socialism, as in some regions the party had to advise the people against or even prevent them from making premature attempts at co-operation while conditions were still not ripe.

The formation of a co-operative had to be supported by three main conditions: that there existed as a nucleus a mutual aid team which had been working well; that good ideological education had been conducted among the peasants so that they themselves demanded the creation of a co-operative; that good leading cadres were available. When one of these conditions was lacking, the setting up of a co-operative could be easily done, but its working would meet with difficulties which would discourage its members.

And, in fact, the working of co-operatives, especially in the beginning, met with many difficulties and the superiority of collective farming did not show itself immediately. It is during this period of 'running in' that the stand of each member or cadre was put to utmost trial. If a co-operative got important aid from the State, it also had definite obligations towards the State; the leadership of the co-operative also had to take a correct stand concerning each member's family economy.

To face difficulties, to keep one's confidence in bad times, to have a correct

attitude in relations with the socialist State and each family's economy, are not technical, but political, ideological problems. These were fundamental problems that had to be solved correctly, if the co-operatives were to go on living and developing. Who then would be best able to carry out this policy?

The April 1959 resolution of the Workers' Party Central Committee specified that one must:

"Rely resolutely on the poor and lower middle peasants; Unite closely with the middle peasants; Manage to limit, then put an end to exploitation by the rich peasants; Prevent the landlords from raising their heads. Go on encouraging those among them who work to re-educate themselves so as to become new men; Lead the whole peasantry resolutely along the road of co-operation towards socialism."

The first two points were the most important. The poor and lower middle peasants constituted the larger part of the working peasantry. They followed the revolution with more firmness and made up the main forces of agriculture co-operation. The middle peasants had certainly more experience in technique or management, but they easily leaned towards the family economy and tended to profit from the benefits granted by the State to the co-operatives without wanting to fulfil their obligations in return.

The Party also said that if one relied on poor and lower middle peasants, one must above all take care of their interests and aspirations and help them by all means to overcome their difficulties in production and daily life. When a co-operative was created, the active elements among the poor and lower middle peasants were organised at first as a nucleus, then those middle peasants who wished to join it were admitted.

In the managing and audit committees of the co-operative, at least two-thirds of the members had to be poor and lower middle peasants. The main posts, such as those of manager, chief auditor, chief accountant, leaders of production teams, were in the main reserved for active elements among the poor and lower middle peasants. It was decided that if one wished to rely on poor and lower middle peasants, one must have confidence in them and the conviction that they have the required ability to become the leading cadres of the movement.

The upper middle peasants who on the whole had adopted an attitude of hesitation, of 'wait and see', were regarded as working people. But it was decided to educate them, to persuade them, so that they would join of their

own free will. While they were reflecting, weighing the pros and cons, it was decided to have patience, to wait for them and convince them by means of the concrete results of co-operative farming, such as higher yields, higher returns. When they joined the co-operative, care was taken of their legitimate interests and a just, appropriate solution of problems arising from the lands, cattle and farm-tools they had brought in was worked out.

The rich peasants were admitted only when co-operation had been completed in the main in the region where they lived; former landowners who had changed their attitude after the years of re-education were allowed to join the co-operatives; their children were judged according to their personal attitude and not their birth.

Great attention was paid to the family economy. On joining a co-operative, the farmer was permitted to retain five per cent of his land for his family economy, for growing vegetables, raising poultry, pigs, etc. While the co-operative economy supplied the staple food and farm produce for urban areas and exports, the family plots supplied a good deal of necessary foodstuffs, like vegetables, pork, poultry, eggs, etc. The farmer was free to sell the produce of his family plot, from which he drew much of his cash income. Both the co-operative economy and the family economy were allowed to develop harmoniously.

Co-operative farmers felt themselves the real masters of their co-operatives. Without this feeling and without the people having full confidence in their government, no agronomist or economist, even if he be a genius, can promote the agriculture of an underdeveloped country. The prime reason of the success of the movement to start co-operatives and cultivate lands collectively, was the very high degree of political consciousness of the Vietnamese peasant. Of course the movement's success was also due to the progress the first few co-operatives made, which substantially improved the living standards of their members. The result was that by 1966, 85 per cent of peasant households had joined co-operatives. The size of co-operatives became bigger. There were some with over 110 households in them, cultivating more than 200 hectares.

For thousands of years, the Vietnamese peasant had been living on the brink of famine and misery. Except for a minority of rich peasants and landowners (whose income depended essentially on land rents and usury), the poor peasants who constituted the great majority could hardly secure their daily

rice. 'To eat one's fill' was an age-old dream which never came true. The standard of living of a peasant family before the agrarian reform consisted of — Food: for three to six months, a diet of rice mixed with tubers; otherwise, a few potatoes or some vegetable soup each day. Salt: bought daily, in small quantities. Meat: twice a year, on the first two days of the year. Fish: small fish, crabs, shrimps from streams and ponds. Sugar: none. Clothes: most often, only rags handed down from father to son or discarded by better off relations. When the harvests were good, the children might get a new pair of trousers or a new shirt (of light, not durable, cloth) on the occasion of the New Year's celebrations. Quilts, mosquito-nets: none. Other items (soap, medicine, books, newspapers, etc): none.

Let us now look at the family of a co-operative member in Tan Khang village in Thanh Hoa province. It is made up of seven members, two of whom are sturdy workers. The family has a private plot of 200 square metres, and raises three pigs and a score of poultry. It gets yearly — Paddy: 2,200 kilograms allocated to it by the co-operative, each member of the family receiving 314 kg of paddy or 204 kg of rice. The vital needs are thus met. Sales of vegetables and sugarcane from the private plot (apart from family consumption) earn 97 dong (one dong is a little more than two rupees). Sale of pigs to the State Agency and manure to co-operative earns 106 dong and sale of poultry and eggs, 64 dong. Income from fishing by two young children and from basket weaving by the old folks amounts to 188 dong.

From the co-operative the family receives chiefly foodstuffs — mostly paddy — which constitute the fundamental part of its needs; the rest of the family's needs are met with money obtained from outside the co-operative — crops: 21.3 per cent animal breeding; 37.3 per cent, fishing and side occupations: 41.3 per cent. This situation is common to most peasant families in North Vietnam.

It can be seen that the peasants' income derives from two distinct but complementary sources: co-operative work, which provides the staple food, this being the most important thing. Family work, which brings in most of the cash income as well as some farm products to improve the diet. Once the daily rice is assured, the peasants meet their other needs with the cash income they obtain. Now you can see in all peasant houses, mosquito nets, blankets,

decent clothing, furniture, tableware and kitchen utensils. And with good harvests, many buy a bicycle, a radio set, a wrist watch, or even a house. Gradually the dreams come true. There are now other expenses also, on medicines, books, newspapers and magazines, schooling of children, etc. These are expenses that no one dared think of 20 years ago.

Each hamlet now has a primary school (the first level of general education up to the fourth standard) and generally two villages share a second level school (up to the seventh standard). All children go to school. Adults attend spare-time classes in the evening. Every village now has a dispensary and a maternity ward. In North Vietnam there are now over 50,000 auxiliary physicians, nurses and midwives. At this stage of development, the peasants buy books and other school things for their children, build and maintain the schools and pay the teachers.

Now North Vietnam grows four rice crops a year, instead of two, which were the winter crop with sowing in October-November and harvest in May-June, and the autumn crop with sowing in May-June and harvest in October-November. The additional crops, of new varieties of rice, are the spring crop sown in February-March and harvested in June, and the summer crop, sown in April-May and harvested in July-August. Almost in all parts of North Vietnam, paddy production has risen to five tons per hectare. The target now is seven tons per hectare, which many co-operatives have already achieved.

Because the size of the co-operatives is growing, some cultivating over 200 hectares, mechanisation is being introduced, in the shape of mechanical rice-threshers and husking machines, and improved tools. Greater investments are being made in agriculture in the form of more manure and fertiliser and better seeds. As the area of cultivation increases, managerial skills are being improved. Almost all new members of co-operatives are persons who have passed the seventh standard. They work on experimental plots where they try out new techniques before disseminating them. They are charged with delicate tasks, such as, culture of azolla (green manure), the determination of the fertility of the soil, the selection and multiplication of seeds, the tracking of plant diseases and insects and the collective raising of animals for both farm-work and meat. Most co-operatives have their own technical scientific groups and their own experimental fields.

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Cries of Crystal Gazers

Ranjit Sau

The Prediction of Communist Economic Performance (ed) P J D Wiles; Cambridge University Press, 1971; pp x + 390; £ 4.

THIS book is a collection of exercises on predicting economic performance of the following nine countries: Albania, Bulgaria, China, Czechoslovakia, the German Democratic Republic, Hungary, Poland, Rumania and the Soviet Union, by nine experts on the so-called communist economics. The base year is 1967 and the year for prediction is 1970. "A hasty reader might complain of the inclusion of apparently obsolete pieces", concedes the editor. "This is 1970, yet here are pieces, written in 1967, incorrectly predicting 1970. Could they not have been updated, nay scrapped?" The editor himself then gives this solemn answer: "This volume is essentially methodological, and all other information is a mere by-product." This keynote should be kept in view while going through this book and this review.

I

The book opens with two useful chapters on an inter-country, comparative analysis of the process of planning in industry and in agriculture. Peter Wiles, writing in the year 1969 on industry concludes that there are three general tendencies in this respect: conservative, radical and Chinese. He identifies radicalism essentially with the free play of the market mechanism, and conservatism with centralised planning. The most conservative country, according to Wiles, is Rumania which has hardly moved from the Stalinist system; the next most conservative are the USSR, Poland and the GDR. The remaining four countries, Albania, Bulgaria, Czechoslovakia, and Hungary are radical of various shades. And China, of course, is a class by itself. This classification is based upon the answers given by respective experts to a standard questionnaire.

It was not possible, we are told, to get a China expert to answer the questionnaire. But lo and behold! It did not stop Wiles from drawing conclusions. He pulled the rabbit from his hat and proclaimed: "After all China is more or less a market economy". No wonder, he continues, "Chinese resource allocation must be held as surprisingly rational! For so many

prices are market determined, and so much capital is borrowed from the bank. The practical effects of the market cancel, presumably, the anti-national theory".

Everett Jacobs presents another questionnaire-type study to provide easy-to-use material for the assessment of the agricultural sectors of the Soviet and East European economies. The first part of the questionnaire deals with the ownership (in the loose sense) of land and the means of production. In addition, it includes data on agricultural production, the size of agricultural labour force, recent trends in the structure of farms, and the organisation of farm work. The extent of the diversity in agricultural organisation and ownership in the Soviet Union and Eastern Europe becomes readily apparent. Interestingly, an almost exact correlation is found among these countries between the rank in terms of fertiliser consumption per hectare and the rank in terms of wheat yield.

The other part of the questionnaire of Jacobs deals with planning in agriculture; it is descriptive rather than statistical. In the descending order of the degree of decentralisation in various aspects of agricultural planning Hungary tops the list, followed by a group composed of Bulgaria, Czechoslovakia, the Soviet Union, and Yugoslavia. Centralisation is strongest in East Germany, Poland and Rumania. Albania has been excluded from the list for lack of information.

Now comes the core of the book, the methodology of prediction.

II

A difficulty that constantly dogs all these crystal ball gazers is the lack of adequate reliable data. But in the heat of enthusiasm their zeal for transcending this barrier is matched only by their zest for the superficial.

To begin with, Michael Kaser reviews the performance of the Albanian economy during the third five-year plan, 1961-1966. This was a period of sharp changes in Albania's external relations. Moscow broke off diplomatic relations with Tirana in December 1961. Soviet aid, both technical and

financial, ceased; and trade between the two countries was eliminated by the following year. Nonetheless, Albania did remarkably well by mobilising local resources, by building small-scale plants closely related to the exploitation of natural resources. A notable beneficiary of this concentration on domestic-based projects was education.

Albania in 1967-1970 has some of the elements of a quasi-Chinese 'great leap forward', according to Kaser. As for the projection for 1970, he offers none. In his own words, "the projections for 1970... are not projections in the sense of representing the author's best guess of activity in 1970, but his estimate of what is feasible on the working hypothesis that the Albanian government will do what it seems to be undertaking." Even then, about his methodology of estimating what is feasible in 1970, the less said, the better.

Two years later, in 1969, Kaser had an occasion for after-thoughts, which add very little to his original thoughts as of 1967.

The author on Bulgaria is Alexej Wynnyczuk whose paper is dated 1968. Bulgaria is the poorest (after Mongolia) and probably the fastest developing member of the Comecon countries. It is also the only country in Eastern Europe which shows a parallel to the Chinese Great Leap in 1959-60.

The Bulgarian national income had grown at the annual rate of 8.5 per cent between 1948 and 1965, with cyclical fluctuations around the trend line. Hence the author summarily comes to the conclusion that the same growth rate would be maintained right up to 1970; and thereafter for few years the rate may slow down a bit in deference to the trade cycle. His projections for industrial production and agriculture use essentially the same methodology of trend extrapolation qualified by a few casual remarks.

W Klatt has written on China. After a brief run down of performance of the Chinese economy upto 1966, he comes to the forecast for 1967 and then for 1970. Oh yes, the methodology? Here is a specimen: "If the *status quo ante* as it existed prior to the cultural revolution could be restored speedily, an increase of gross industrial production by 50 per cent during the current Five-Year Plan might still be possible. This would imply an annual industrial growth rate of 8½ per cent". How will this growth rate be possible? What happens if the *status quo ante* is not restored?

Klatt does not care to elaborate on such questions. Two years later, in 1969, he returned to the topic, and repeated his earlier performance. "If the *status quo ante* the cultural revolution can now be restored speedily, an increase of gross industrial production by some 30 per cent during the period of the current Five-Year Plan (1966-70) may still be possible", he concluded.

Then Boris Pesek has two papers written in 1967 and 1968 respectively, and a postscript dated September 1970 only to tell us that in the then prevailing conditions of Czechoslovakia it was not possible for him to make any prediction.

Next in line is East Germany. Horst Seidler, writing in 1967, found that during 1964, 1965 and 1966 the annual growth rate of real net material product was between 4 and 5 per cent. He was a little more optimistic about the year 1967, and put the growth for that year at 5.5 per cent. He estimated the growth rate of industrial production at 7 per cent; of consumer goods industries at about 5 per cent; and so on. As for 1971, total employment remaining constant at the level of 1967 by assumption, and the annual growth of gross investment being estimated at 8 per cent, the annual rise of real national income of 5 per cent between 1968 and 1971 should be feasible. Gert Leptin adds a note in support of Seidler's exercise.

Alan Brown presents quite an elaborate exercise about Hungary which merits careful study. But then R D Portes, writing one year later in 1968, showed why one of Brown's forecasts was erroneous, and also how what one did know and could infer might have been used to predict events of 1967.

The main contributor on Poland is Michael Gamarnikow. One of his major findings is the dilemma the Polish planners are facing in the course of tackling the unemployment problem. The regime's own weekly wrote in 1966: "One thing is certain and we must all realise that. The population must choose: either additional significant growth of employment, or limited employment and better growth of real wages". It underlines the conflict between the objectives of more employment and better wages. Writing one year later in 1968, Bogdan Mieczkowski contended that unemployment in Poland was not 300,000 as reported by Gamarnikow, but substantially more, namely, two million, including underemployment.

Michael Kaser has written two more pieces, one in 1967 and the other in

1969, and both of them are on Rumania. These pieces could hardly boast of their methodological contents.

Soviet Union gets the lion's share of attention, with six papers written by four experts, covering some ninety pages. Two of these papers break new ground compared to playing the game of trend extrapolation or simply fancy 'informed judgment'. These two papers are taken up in the next section; the authors are Haruki Niwa and Peter Wiles.

In fact, if you take out the arithmetic of compound growth rate and trend extrapolation, three-fourth of this book would go out with it. For the remaining part, the book is certainly overpriced.

III

Haruki Niwa has an econometric model for Soviet economic growth. It consists of twelve simple regression equations (with one independent variable in each equation), and seven definitional relations. The dependent, endogenous variables are, for example, demand for intermediate producer goods; industrial fixed capital formation; agricultural fixed capital formation; residential capital formation; industrial production; agricultural production; and so on. The exogenous variables are, for example, employment in non-agricultural sector; flow of capital goods to final demand sector; the relative shares of agricultural investment, housing investment, and industrial investment, in total investment; population and so on. There are no demand equations and, no monetary equations.

The model has been estimated with the method of least-squares using the data of the period 1934-1963. Correlation co-efficients are uniformly high. What does it mean? Did the Soviet economy behave in the same elemental way, in spite of, or because of, Stalin, Bulganin and Khrushchev? Will it continue to follow the same path regardless of Kosygin and his successors? In fact, such a model has very little predictive or even explanatory power. One need not be surprised if someone else comes up with a different econometric model for the same period of the Soviet economy with equally high correlation co-efficients.

Niwa's observation that all the 'predicted figures' for the endogenous variables estimated by earlier versions of the model agreed marvellously well with the actual figures for the period 1935-1960 contains practically no additional information. If you estimate an equation with the data of a given pe-

riod, the predicted value of the endogenous variable for the same period will be close to its actual value so long as the correlation co-efficient is high. In fact, that is the meaning of a high correlation co-efficient. The predictive power of a model has to be tested against the data of a period different from the one in which it is estimated.

Finally, we come to the most glittering gem of this volume, a piece where Peter Wiles uses the Cobb-Douglas production function to examine the feasibility of the Soviet agricultural plan, 1966-1970. We are warned well in advance: "the uninitiated should not be dazzled by the technical sophistication", says Wiles.

The Soviet agricultural plan, 1966-1970, envisages a 5 per cent annual growth in output, whereas it provides for a mere 2 per cent annual rise in agricultural inputs. Is the target feasible? Wiles, armed as he is with a borrowed Cobb-Douglas production function, addresses himself to this all-important question.

B I Iskakov elsewhere has estimated the following production function for the Soviet economy, 1951-1960:

$$Q = 1.03 K^{0.9} L^{0.1}$$

where Q is national income, K capital and L labour. Taking Q as the industrial production another Russian author, A Tolkachev, has got a very similar result with the data of 1950-1964:

$$Q = 1186 K^{0.845} L^{0.155}$$

Encouraged by this confirmation, Wiles accepts Iskakov's estimate, and without batting an eyelid applies it to Russian agriculture. "I shall not here attempt to fit a production function to our agricultural data", says Wiles, "for they are too few and inaccurate". "Moreover, Stalin's production function must have been entirely different from Khrushchev's. Instead I simply transfer the exponents found for industry or national income by the two Soviet statisticians." That is to say, he takes the exponent for labour as 0.1 and that for capital as 0.9, in Soviet agriculture. Furthermore, this 0.9 is divided arbitrarily between 'capital' and 'current industrial inputs' as follows: 0.49 and 0.41 respectively.

Although total agricultural inputs would grow at the overall rate of 2.18 per cent per annum during 1966-1970, labour would actually decline at the rate of 0.6 per cent, capital would rise at the rate of 13.7 per cent and current industrial inputs at 8.5 per cent. If the production function is Cobb-Douglas then the growth rate of output

is given by the sum of the growth rates of inputs times their respective production elasticities. In this case it works out as follows:

$$(13.7 \times 0.49) + (8.5 \times 0.41) - (0.06 \times 0.10) = 10.19 \text{ per cent}$$

Thus the inputs by themselves would contribute a 10 per cent growth rate in

the Soviet agriculture. But the agricultural plan itself envisages a growth rate of 5 per cent only. Therefore, should the plan be realised, it would mean that the rate of 'technical progress' in Soviet agriculture is actually negative; precisely it is - 5 per cent per year. Wiles has this final word: "A gloomy prophecy that sounds realis-

tic enough to be fulfilled". My own comment on this exercise of Wiles is simply this: it is hardly worth the paper on which it is printed.

If this volume, as the editor claims, is essentially methodological and all other information is a mere by-product, those who have not yet read it have not missed much.

SPECIAL ARTICLES

A Research Programme for Urban Housing

Shirish B Patel

This paper outlines a research proposal for a series of investigations into aspects of urban housing which it seems important to understand before formulating an enlarged public housing programme. Studies in the areas outlined here are either scanty or non-existent.

The studies therefore proposed here should be concerned essentially with the following broad questions:

- Whether a diversion of investment to housing would not in fact benefit the economy from the point of view of raising the rate of savings and levels of employment.*
- What kinds of accommodation (for essential amenities only) should be provided, how should loans be administered, and what special legislation if any is necessary to ensure continuing success.*
- Would the 'incremental' housing programmes suggested here succeed in the face of quite possibly lower priorities being attached by families—especially poorer families—to housing compared to other necessities of urban life; will the fact of provision of improved housing lead to increased migration to these areas.*
- What values of density, and what design parameters besides density should be adopted as guidelines in the broad layout and planning of residential districts.*

I

THE view has long been current that from the national point of view housing is a 'dead' investment, locking up resources which would be far better invested in industry or used in some other 'productive' manner. The view is held to be valid regardless of the end product of the industry involved. The recent setting up of the Housing and Urban Development Corporation (HUDCO) and the allocation of substantial funds for the provision of public housing has been made because the need was felt to undertake more substantial programmes of social welfare, while tacitly assenting to the view that investment in housing is from the point of view of economic development decidedly less desirable than investment in industry. But how far is this view correct? It rests on the assumption that domestic savings are relatively inelastic, or if elastic are not related in any way to the availability of opportunities for investment in housing. Is it possible that if opportunities were offered to individuals to hire-purchase a house, this might result in a substantial increase in the rate of domestic savings? Would such pay-

ments towards the house encroach on other forms of savings, and if so how seriously? Or would there be a curtailment of consumer expenditure, and a diversion of the savings so effected into housing? Since we are particularly concerned with the low income groups, it would be important to try to establish our findings especially in regard to these groups. How this can be done, forms part of the investigation. It seems difficult to do because, until now, opportunities for savings towards a house have been practically non-existent for such groups. For somewhat higher income groups, however, it may be possible to carry out both time-series and cross-sectional studies to test our hypothesis. The first may be possible with certain Housing Board occupants, if we compare their pattern of savings before they were allotted a house with the pattern of savings after they were given possession of a house and started hire-purchase payments. Cross-sectional studies may be possible in companies or other organisations which offer loans or other facilities for the purchase of housing, by comparing the pattern of saving of those employees who have availed

themselves of such opportunities with the pattern of those employees in a corresponding income bracket who have not taken such loans. It may also be useful to take a look at information available from other countries, although this may not be strictly relevant unless such countries are at a corresponding level of economic development with India.

II

What is the labour content of the rupee spent on housing compared with the labour content of the rupee spent on other consumer products? The labour content will mean not only the on-site labour content of housing, but the labour content of each of the inputs, such as sand, bricks, stone, steel, cement, and so on. For each of the manufactured items such as steel, cement, flooring tiles, etc, there is a further labour content, in addition to that contained in the value added by manufacture, and this is the labour content of the intermediate input materials, continuing backwards until we reach the stage of production of raw materials. It

may be said that, if we take into account all the backward linkages, the entire rupee will be labour only. This may be true if we extend backward linkages through all previous time, and assume that labour is the only scarce primary factor, but in the immediate context we may suppose that the rupee will finally break up into several components including (a) labour, (b) taxes, (c) the cost of capital, including profits, (d) wholesalers' and retailers' margins, which include some component of labour, which we may assess separately. There is also the rather special case of machinery. The production of machinery involves a labour component, and if we add up the contributions of each of the backward linkages, we can arrive at the final labour content of the machinery used in producing any particular consumer product. As far as the labour content of the particular consumer product is concerned, machinery constitutes an intermediate input like any other, and we must take as contributing to the consumer product the amount that the machinery depreciates over the production of a particular volume of consumer product and the labour content of this amount of depreciation.

It would be important to express the labour content of the rupee spent as described above not only in money terms of the component spent on wages, salaries, and other benefits, but also in man-hours of employment. The wage paid per man-hour varies considerably from industry to industry.³ In a situation where we are trying to maximise employment in terms of numbers employed as well as in the amount that is paid to labour, the man-hour figure for the rupee spent will be of some significance.⁴

We can derive the direct plus indirect labour contents of final products as follows:⁵

Let [A] be the usual input-output inter-industry co-efficient matrix, at market prices, corrected to include machinery depreciation, a typical element being A_{ij} , for n industries

[L] be the vector of total labour content of final products and of inputs, per unit of output for each industry.

[I] be the vector of labour content in the value added by the industry (excluding the labour content of inputs)

[X] be the vector of gross outputs of industry, then

$$L_j X_j = \sum_{i=1}^n A_{ij} L_i X_i + I_j X_j$$

which becomes

$$(L) = [A]' (L) + (I),$$

where [A]' is [A] transposed

$$\text{so } (L) = (I - [A]')^{-1} (I),$$

where I is the unit or identity matrix, which can also be expressed as

$$(L) - ([I - A]^{-1}) (I)$$

$[I - A]^{-1}$ is the usual inverse matrix used in input-output computations, and

(L) and (I) can be expressed in either rupee or man-hour values per rupee of output.

III

What is the tax component in the cost to the consumer of various building materials? It may be that certain materials, but for the tax component, would be cheaper to use than others which are conventionally employed.⁶

What is the total tax component in a finished house, as compared with the tax content of various other consumer items? As with the labour content, this involves not only the tax on the last stage of production, but on all the intermediate inputs, extending the backward linkages up to the stage of production of raw materials.

IV

Assuming that we find it desirable to encourage consumer spending on housing in preference to consumer spending on other items, what should be the rates of interest applicable to loans towards purchase of housing? The encouragement of investment in housing should be reflected in a longer repayment period and lowered rates of interest. On the other hand, a rapid repayment of capital is desirable so that it is quickly recouped and made available again for recycling. Would it be possible to have differential rates of interest with lower rates for a quick repayment of the loan and higher rates if the repayment of the loan is delayed?

How should loans for housing be administered, bearing in mind the need to reach as wide a market as possible, and particularly to reach the low income groups? It would seem that the best agency to perform the role of reaching the individual customer would be banks, rather than any centralised agency. The central agency may be responsible for refinancing and insurance against bad debts. What steps

would need to be taken in order to make it possible for banks to make available loans for housing over longer periods than the conventional 5 or 10 years that banks normally allow? Would it be possible to link such bank loans for housing with deposit schemes or other forms of regular saving?⁷

Particularly for the low-income groups, is it possible to have schemes by which payment towards housing is in kind rather than in cash? Perhaps certain jobs could be linked with the provision of a house, and wages paid partly in the form of coupons or a credit entry towards payment for the house. If such a scheme were developed, it should be made possible for a private employer also to avail of it for his employees. Alternatively, payment towards housing might be in the form of an acceptable kind of piece-work.

Whatever the schemes, if they are to work they will need to be supported by effective means for repossession of the house in case of defaults in payment. Would special legislation be necessary to enable repossession? This is not an aspect of the problem that can be lightly regarded. Unless loan repayment can be reasonably assured, we are unlikely in our economic circumstances to be able to sustain and progressively expand any major public housing programme.

V

Can we introduce an element of cross-subsidy in the provision of housing, so that the lowest income groups pay less than actual costs for their housing, and the higher income groups pay more? Various formulas for cross-subsidy can be devised, all more or less arbitrary, but some conditions which such a formula should satisfy are: first that the total amount recovered by way of surcharges on the higher income group's houses approximately equal the total amount of subsidy offered to the lower income groups; second that the amount of surcharge on any higher income group house should not be so much that the final price exceeds the competitive market price. It seems equitable that the percentage subsidy or surcharge follow a gradual scale, those with the smallest accommodation qualifying for the largest percentage-on-cost subsidy, and those with the largest accommodation paying the highest percentage surcharge. One danger to be guarded against with subsidies is that accommodation is made available below cost price, and consequently presumably below market value. This implies some

restriction on transfer of ownership of the subsidised accommodation, at least for a period of time, or some guarantee that the same low-income family is not able to claim a fresh house allotment after selling off an earlier one.

How would one ensure a sufficient volume of surcharges to cover the subsidies desired? One way would be for public housing agencies, which are engaged in constructing low-income housing, to actively and simultaneously enter the middle and high income housing markets.⁸ This is an obvious way of turning what would otherwise be private developers' profits into earnings which can subsidise lower-income housing.

However, it may be politically unacceptable for public housing agencies to be seen constructing flats for the well-to-do. The alternative, of imposing a graduated surcharge varying with size of accommodation on privately built housing, may be possible; this possibility should be examined, but one's first impression is that the difficulties of applying such a surcharge would be formidable. Another possibility, less satisfactory because it leaves the really expensive housing untouched, may be to vary housing loan interest rates, charging higher rates for larger loan amounts against a single house as collateral.

VI

There is considerable uncertainty about the 'rent paying capacity' of various income groups in urban areas. Various attempts have been made to determine this figure by interviewing households, but it is by no means clear that the interviewing technique yields any reliable information on this point. There seems to be some evidence to indicate that the capacity to pay towards eventual ownership of accommodation is higher than the so-called 'rent paying capacity', even of the lowest income groups.⁹

So far, surveys and investigations seem to have been confined to obtaining answers to hypothetical questions such as "What kind of accommodation would you like?" and "How much would you be able to afford to pay for such accommodation?". It is almost always true that the costs of the desired accommodation, though the needs expressed are fairly modest, far exceed the individual's capacity to pay. This irreconcilable difference is left unresolved. Would it be possible instead to offer, first hypothetically and then in a real life situation, accommodation over a range of sizes and amenities, at an

economic price which ensures a reasonable return on capital, and observes individual preferences? This implies construction of accommodation, or the provision of amenities only, at levels well below those currently provided in public programmes.

VII

Until quite recently, much of our approach to housing has been based on the assumption of a 'minimum standard' of two rooms, independent bath, independent WC, and kitchen, in an area not less than 230 sq ft, and using building materials which ensure a permanent type of construction with a life of something like 80 years. This has not only been beyond the means of the low-income population to which it is supposedly addressed, but has also led to a level of investment which it is not possible to sustain; in consequence, the provision of housing has been a fraction of the demand. It has meant a steadily mounting backlog and no significant impact on the housing situation.

If we are to make any such significant impact it is clear that we must develop schemes which are within the means of the households to which they are addressed. What we provide within these means may seem hopelessly inadequate, and we must consequently make it possible for whatever is provided to be upgraded gradually to better and better standards as the economy develops and as people are able to invest more in their houses. This would mean developing the following:

(a) Designs which make it possible to have a minimum level of investment to begin with, with gradual improvements over a period of time, so that the initial housing is steadily improved to a larger as well as a more permanent construction. This is a design problem which has not yet been solved. It seems simple enough to design a dwelling with the cheapest building materials such as bamboo matting or palm leaves, and to design another low cost dwelling with a timber framework and asbestos sheets, another with brick walls and mud plaster and a temporary roof, and so on, up to a permanent type of construction with brick walls and a concrete slab. But the real difficulty is to start with the cheapest form of construction and incrementally upgrade it to the next better level, without destroying entirely the initial construction and starting over again, and without damaging seriously the livability of the house while construction is in hand. There is obviously bound to be a certain amount

of wastage involved in replacing one material with another, and the design problem is to keep this wastage to a minimum.

(b) The materials and labour required for these incremental improvements should be available on a domestic scale. In other words, the individual homeowner should be able to go to a retail shop, invest a small amount of money at any point in time and obtain a visible improvement in his accommodation, which encourages him to repeat this kind of investment and gradually go on improving his dwelling.

(c) Ownership of the plot or a share in the plot, so that the householder has sufficient security of tenure to want to invest further and want to improve his house. Transfer rights in such ownership, however, may need to be restricted in some way to protect the owners against *dadas*, and to ensure that the essential purpose of such individual ownership is realised.

(d) Sites which are attractive for the prospective occupants. This means primarily convenience of access, or access to a transportation system sufficiently moderately priced to be within the financial means of the occupants.

VIII

Is any programme of housing where we expect the householder to invest and make continuous improvements unlikely to succeed because individuals do not attach a high value to good housing? What are the family's attitudes to housing in different income groups? To what extent, in different income groups, do individuals regard their house as a place to sleep and keep their belongings, or as an object of pride and a measure of social status, or as an investment and security against the future?

IX

Is it possible that the provision of improved housing in urban areas will lead to an increase in migration to these areas? To what extent is the lack of availability of reasonable accommodation in an urban area a disincentive to migration? It may be possible to infer an answer to the first question by an investigation of the second.¹⁰

If return migration is a significant phenomenon, would it be possible to encourage this by making the surrender of accommodation in an urban area the basis for the provision of similarly priced accommodation (which would be ampler in area and size of plot provided) in a less developed area?

X

The standards of density (families per acre)¹¹ which are adopted for most Indian cities in their current plans for development are derived from Western norms. According to these for new developments densities of about 20 to 60 families per gross residential acre are recommended as being near the optimum.¹² At the other extreme, we have the example of Hong Kong, where new developments are being undertaken at planned densities of approximately 400 families per acre.¹³ What standards should we adopt for New Bombay? It seems clear that infrastructure costs, such as the costs of water distribution, sewage collection, street lighting, power, telephones and so on, vary inversely with the density of development. More correctly, the more compact a development for a given level of population, the lower the development costs. Apart from densities, this implies that the land uses which are high consumers of land — such as playgrounds, maidans, open areas, schools and hospitals — are most economically located on the periphery of any development, whereas the core which requires services is kept as compact as possible.

One proposal for the New Bombay area is that it will be developed as a series of compact nuclei, each varying in population size from 50,000 to 150,000 or more, with the nuclei being linked by a mass transportation system. Each nucleus will contain jobs, adequate local facilities for shopping, schooling, medical attention and so on, and residential accommodation for all income groups. The nuclei will be discrete and distinct from each other, with open spaces between. What are the desirable densities to be adopted for each nucleus, considering costs and in particular transportation costs, and considering also the effects of density on the quality of the environment and the quality of social life?

Ground-level or ground-plus-one living is considered by many to be more human, more Indian, and in some sense anti big-city. In practice, the lower densities that it implies may lead to a vast sprawl similar to what has happened in the case of New Delhi. Costs increase, particularly transport costs (using the word 'costs' in its broadest sense to include social costs as well as money costs). Does the lowered density result in a better quality of life than exists in some of the more densely packed areas of Old Delhi? Or is the optimum somewhere in between? This investigation will be particularly difficult, because in com-

paring two different areas with different densities there will be further differences in the qualities of amenities available in each area, differences in whether the area is newly settled or older with more well-established social relationships, differences in the mix of income groups occupying each area, and so on. It may also be that densities of development which are satisfactory or desirable for one particular income group are not so for another. It is likely that with rising income, and a readier economic access to means of transport, there is a drop in the desired density level. Is this true for all income groups, or only the most affluent? Or are there cultural differences also for different parts of the country? We know that people in one part of the country prefer to huddle their houses together in a village even where there is otherwise plenty of room around and no danger from wild animals, whereas in another part of the country they prefer to keep their houses spaced apart. Does this difference extend to towns?

Are there any lessons to learn from the densities, number of storeys, and layout patterns of the older pre-British Raj parts of Indian cities? How should such findings be used to develop guidelines for new work, given the fact that norms have changed — in such respects as for instance hygiene and fire hazards —, that aspirations are rising, that we have access to a different construction technology, and that with rising population the entire scale of the city has changed dramatically and inevitably?

XI

To what extent is density a meaningful criterion for measuring the quality of an urban development? It has the advantage of being easily measured, easily prescribed and easily controlled, at least in terms of the allowable extent of construction in an area, although the numbers of people occupying that construction are not so easily regulated. It also answers the need for a simplified global kind of index, whose single prescription would ensure the desired quality of urban development. The specifying of land-use — whether an area shall be residential or industrial or commercial or for transportation — and the stipulation of density of development, are taken to be the two basic manipulable independent variables in the hands of the city planner. The correct mapping of the first, and the correct specification of the second for different areas of the map, are generally taken to be sufficient to ensure a satisfactory urban development.

There can be no doubt that the extent of construction per unit of ground area is a good rough index of the openness or extent of crowding of buildings in an urban area. For instance, Central London probably has 61,700 sq ft of construction per gross acre, Central Manhattan 302,000. Greater Bombay has 175,000 in Bhuleshwar, 150,000 in Fort (North), 76,200 in Fort (South), 42,500 in Bandra Hill.¹⁴

For those who believe that the nature of the physical environment is a fundamental factor in determining the quality of city life, there can be no doubt that the regulation of density, and architectural design, are vital elements in establishing that quality. By and large, the view is that the lower the density the happier the community although there is a point of view, particularly forcefully expressed by Jane Jacobs, which pleads for higher density levels;¹⁵ and a still more extreme view, not frequently encountered, which holds that a degree of crowding and tension in living is desirable to create the peculiar 'urban' quality in the environment which yields the creativeness and dynamism needed for progress.

How far are these views correct? First, assuming the view is valid that physical arrangements are of fundamental importance in establishing the quality of city life, what, besides density, are the elements that matter? the heights of buildings? trees? noise levels? traffic-free areas? privacy? the opening of dwellings on community spaces? ground floor living? variety in the physical environment? variety in the range of activities being carried out in the neighbourhood? the possibility of escape to open areas? convenient access to shopping and schools? Second, to the citizen living in an area, is it indeed the shape of the physical environment that is the most important factor in determining the quality of his life? where in the scale of relative importance would one find the costs of transport? and consequent ease of access to a variety of other areas? the quality of municipal services? the quality of health or educational facilities? opportunities for recreation? opportunities for participation in community activities?

This will be a particularly complex and difficult investigation. Responses will vary for different income groups. But what is especially difficult is that respondents are probably unable to visualise correctly the possible alternatives, and unable to assess what their responses might be in the alternative situation. The effect of physical arrangements in particular may also be subtle

and indirect, and not immediately appreciated by the lay respondent. It is this very difficulty which makes it especially easy for the planner, particularly one with an architectural background, to assume responsibility for knowing best and to give weightage to matters of physical disposition, whereas to best satisfy citizens' needs it may well be more important to concentrate resources on other aspects of development.

XII

Each of the investigations outlined above could be carried out in two phases. The first phase would be a desk study, involving a search for information which is of relevance to the particular investigation in hand, and an analysis of the available data. It would conclude with tentative findings and formulation of a field programme, if it becomes clear that such a field investigation is necessary. The second phase could be field work and further analysis.¹⁶

Notes

- 1 HUDCO is understood to have so far committed Rs 50 crores to various schemes for housing a population of 350,000. Loans are for five to seven years, sometimes 10 years, at rates of interest varying from 6.5 to 8 per cent. HUDCO's revolving fund is expected to rise to Rs 200 crores.
- 2 A close examination of the industries that have developed in India over the last two decades may reveal many to be manufacturing items whose consumption we may consider socially less desirable than the consumption of housing. For example, the annual value of output in the art silk and man-made fibres industries in 1965 was Rs 178 crores (ASI data). As against this, spending on housing during the Third Plan averaged Rs 60 crores per year on public sector housing and Rs 280 crores per year in the private sector (Fourth Five-Year Plan document). How much of the private sector housing was for the lower income groups is not clear. However, the argument about the social desirability of encouraging consumer spending in one area rather than another is not one that I will pursue further here, as it is irrelevant to the purpose of the present paper.
- 3 Wages vary from Rs 0.26 per man-hour in cashew-nut processing to Rs 5.65 in manufacture of electronic equipment. The mean for all industries in the ASI list is Rs 1.27, with a standard deviation of Rs 0.65 (extracted from ASI 1965).
- 4 Remembering, of course, that a man-hour of skilled labour implies some man-hours spent in imparting and in learning these skills, which
- 5 should be divided over the total working man-hours expected in the life of the worker to arrive at the 'indirect' man-hours of effort to be added to the 'direct' man-hours of skilled employment in industry. This is a correction we may ignore as an unnecessary refinement.
- 6 I am indebted to Kirit S Parikh for advice in this formulation, and also for his comments on the rest of this paper. I am also indebted to K Srinivasan and others for assistance in extracting some of the information used in this paper.
- 7 For example on 6 mm thick Asbestos Cement sheets the components of import duty on the raw material and excise duty on the finished product account for 25 per cent of the final ex-factory price; on 24 gauge aluminium sheets excise duty alone is 54.5 per cent of the final price. Net of these taxes, 6 mm asbestos and 24 gauge aluminium sheets would cost the same; with taxes aluminium sheets are 34 per cent costlier per sq foot of area.
- 8 The Syndicate Bank has a scheme which allows depositors a loan for purchase of a house up to five times their average Savings Account balance over the preceding 24 months, subject to a maximum of Rs 10,000, or 50 per cent of the value of the house, whichever is lower, with the house as collateral. Interest rates are 3.5 per cent over the Bank rate, but not less than 10 per cent.
- 9 The LIC has already entered the field of middle-income group housing with its Jeevan Bima Nagar township at Borivli. 1,300 flats have been constructed (500 more are in hand) and are offered for sale at prices ranging from Rs 14,850 to Rs 35,800. It is understood that the price includes some surplus over costs to LIC. It has not yet been made clear whether or not this surplus will be used in subsidising lower income group schemes.
- 10 P Ramchandran "Housing Situation in Greater Bombay", Tata Institute of Social Sciences, 1972.
- 11 An interesting question is whether there is any relationship between the amount of physical investment in an area and the extent of migration to that area. For physical investment it may be possible to use some crude index, such as the amount of cement consumed in that area.
- 12 Density can be variously expressed, as gross residential density (meaning the residential population per unit of total area, including roads and public spaces), net residential density (the residential population per unit of plot area, excluding areas for arterial roads and public spaces) and so on. Commonly about 60-65 per cent of a residential area consists of plots, the remaining 35-40 per cent being roads, shops, open spaces, etc. Net residential densities are therefore about 1.6 times gross densities.

In planning work, after a desired density figure has been determined it is usually translated into dwellings per unit area, on the basis of assumed family size, and finally into plots per unit area with an appropriate Floor Space Index (FSI), also called Floor Area Ratio (FAR) or by another name, meaning in each case the built-up floor area divided by the plot area. The regulation of FSI is deemed to be an adequate, indirect means of controlling density.

- 12 The following figures are presumably for gross residential densities although this is not always made perfectly clear in the relevant source. Writing about the British New Towns, Emrys Jones "Towns and Cities", 1966 says: "Planners and architects are slowly reintroducing urban densities into the new towns. Later additions depart very considerably from the standard 10-12 houses per acre. Fifteen per acre is not considered outrageous, and in one case 20 houses per acre has been accepted". The Master Plan for Delhi (1961) recommended densities varying from 25 persons to 150 persons per acre, most areas being within the range of 75 to 100 persons (15 to 20 families in Indian conditions) per acre. The Greater Bombay Municipal Master Plan (1964) is not very clear on the subject of densities but recommends population levels of 32.5 lakhs in the city and 47.5 lakhs in the suburbs, the areas available for residential development being 17.8 and 68 sq miles respectively. Densities calculated from these figures work out to 285 and 109 persons (57 and 22 families) per acre respectively. The Calcutta Development Plan (1966) recommends net densities from 100 to 700 persons (20 to 140 families) per acre. Gross residential densities (see 11 above) would be 12 to 88 families per acre. For smaller towns in India densities range from 33 to 129 persons (6 to 26 families) per acre (B B Garg, 'Formulation of Densities in Physical Planning', CBRI, 1970).
- 13 In the Castle Peak new town development, it is expected to accommodate 1,000,000 people in an area of 500 acres, a density of 2,000 persons (about 400 families) per acre (from D J Dwyer, Hong Kong, 1971). In many other smaller estates including Choi Hung, Wah Fu, and Ping Shek, densities exceed these figures (Hong Kong Housing Authority, 1970-71).
- 14 Calculated from Greater London Development Plan (1966 figures), Urban Design Manhattan, Regional Plan Association, and from Survey Maps of Greater Bombay, City and Suburban offices.
- 15 Ranging from 100 to 200 dwellings to the net acre, (or about 62 to 125 families per gross acre), Jane Jacobs "The Death and Life of Great American Cities", Chapter 11, 'The Need for Concentration'.
- 16 While the programme outlined here

has been drawn up keeping in mind the specific needs of the New Bombay project, for which the City and Industrial Development Corporation of Maharashtra (CIDCO) is the agency responsible for planning and development, it is hoped that scholars and investigators concerned with other areas

will communicate with CIDCO if they feel that the scope of the present investigations could be modified or enlarged so as to make the results relevant and useful for areas other than New Bombay, or if they are aware of work being done elsewhere which is pertinent to the present programme. While CIDCO is pre-

pared to co-ordinate the research programme, and provide some financial support wherever necessary, it is expected that the actual investigative work will be carried out by other agencies and consultants outside CIDCO, and it is they who will take responsibility and credit for the work that they are doing.

On Comparing Levels of Living in Different Regions

N Sreenivasa Iyengar

Lila Ram Jain

A rational concept of equivalence for comparing standards of living in two regions may not be difficult when a single consumption basket is equally representative of the goods and services purchased by households in the two regions which are to be compared. Definition of equivalence becomes more difficult, however, when the goods and services available and the household consumption patterns are quite different in the two regions.

Determination of comparable groups, through an analysis of consumption at different income levels has been attempted before. Expenditure differentials between two regions have been derived through statistical analysis of Engel curves fitted to data on household expenditures on specific commodities and total outlay in the two regions.

In this paper, is proposed a simple method of obtaining such expenditure differentials between two or more regions, especially when the joint distributions of the expenditures on specific items of consumption and total consumption expenditure in those regions are known.

MEASUREMENT and comparison of the levels of living of communities with diverse economic, cultural and demographic characteristics involves many technical problems. Consequently, very few empirical comparisons of this kind have been made, though there is a real need for such studies. Every comparison of living standards or costs depends upon some concept of equivalence. A rational concept of equivalence may not be difficult to find when a single consumption basket is equally representative of the goods and services purchased by households in the two regions which are to be compared. Definition of equivalence becomes more complex, however, when the goods and services available and the household consumption patterns are quite different in the two regions. Groups of households of the same size and composition may perhaps be regarded as belonging to the same economic level if their incomes are utilised to the same extent for supplying their basic needs. By this definition, households in one region allocating, say, 60 per cent of their total outlay to necessities are in the same economic circumstances as households in another region which also allocate 60 per cent of their total outlay to necessities. This

ratio of the outlays between the two regions provides a measure of the difference in costs or standards of living of the groups in the first region as compared to in the second.

The determination of comparable groups, through an analysis of consumption at different income levels, has been attempted by Roy (1943), Synder (1956), and others. Expenditure differentials between the two regions have been derived through statistical analysis of the Engel curves fitted to data on household expenditures on specific commodities and total outlay in the two regions. In this paper, we propose a simple method of obtaining such expenditure differentials between two or more regions, especially when the joint distributions of expenditures on specific items of consumption and total consumption expenditure in those regions are known. The method involves comparison of mean outlays of households spending a given variable proportion of their total expenditures on cereals in different regions, in the absence of a workable definition of necessities.¹ Graphical representation of these means show not only differences in average standards of living between the two regions being compared, but also bring out disparities of an intrinsic nature within

each region. This representation is somewhat different from the fractile graphical representation used by Mahalanobis (1960).

Our present study provides some evidence for the view that a rise in the average standard of living is necessarily accompanied by a widening of consumption disparities.

DATA USED

This study is based on household expenditure data, collected in the 17th round of the National Sample Survey (NSS). In this survey, which covered the period between September 1961 and July 1962, a stratified two-stage pps sampling design was adopted. In the urban sector of a state (region), the first-stage units were the urban blocks, whereas in the rural sector the village formed the first-stage unit. In both sectors, the households constituted the ultimate units of investigation.² The sample was obtained in the form of three independent interpenetrating subsamples. However, because of limitations of time as well as non-availability of disaggregated data in the required form, this investigation was confined to one subsample of households spread over two distinct regions

of India. The regions covered were Uttar Pradesh (the northern region of India) and Madras (now called Tamil Nadu, representing the southern region).

The total sample consisted of 884 households, of which 502 lived in rural areas during the survey period. The Uttar Pradesh sample was considerably larger than the sample from Madras, as indicated below:

NUMBER OF HOUSEHOLDS IN THE SAMPLE	
Region	Number
Rural Uttar Pradesh	316
Urban Uttar Pradesh	192
Rural Madras	186
Urban Madras	170
Total	884

METHOD OF ANALYSIS

The present analysis was further restricted to only two important household variables, viz, monthly expenditure on all household items of consumption including cereals (x); and monthly expenditure on cereals (y); both these variables are expressed in constant rupees of 1961-62. The derived household characteristic, viz, the proportion (w) of total outlay allocated to cereals is of considerable interest.

By definition, the three variables x , y and w , are interrelated; since $w = y/x$,

$w \leq 1$. Each sampled household h provided a pair of observations (x_h, y_h). Such points were plotted and scatter diagrams were obtained. These diagrams provide an empirical basis for formulating explicit relationships for $x = f(w)$ between w and x . This relationship differs in some respects from the Engel curve, since the latter regards x as the argument and y , and hence w , as the dependent variable.

According to Engel's Law, at successive economic levels, the expenditure for necessities increases in amount but decreases in proportion to total expenditure for all goods and services. Since expenditure on cereals is a necessity,³ Engel's ratio (w) for cereals would be lower for households with comparatively high levels of living. On the other hand, an increasing value of w may be taken to mean increasing poverty, and in this sense, the distribution of w could be expected to reflect the distribution of poverty.⁴

MAIN RESULTS

Table 1 gives the distribution of households according to levels of living or poverty levels. This Table is further

TABLE 1 : DISTRIBUTION OF SAMPLE HOUSEHOLDS ACCORDING TO THEIR LIVING STANDARD
(Uttar Pradesh and Madras, 1961-62)

Living Standard	Uttar Pradesh				Madras			
	Rural		Urban		Rural		Urban	
	Number of Households	Per Cent	Number of Households	Per Cent	Number of Households	Per Cent	Number of Households	Per Cent
0-10	3	0.9	7	3.6	3	1.6	8	4.7
10-20	23	7.3	42	21.9	8	4.3	16	9.4
20-30	46	14.7	49	25.5	20	10.7	44	25.9
30-40	75	23.7	37	19.3	38	20.4	43	25.3
40-50	72	22.8	30	15.6	37	19.9	30	17.6
50-60	44	13.9	15	7.8	45	24.2	13	7.6
60-70	31	9.8	9	4.7	18	9.7	9	5.3
70-80	15	4.7	3	1.6	10	5.4	7	4.3
80-100	7	2.2	—	—	7	3.8	—	—
All Classes	316	100.0	192	100.0	186	100.0	170	100.0

TABLE 2 : DISTRIBUTION OF SAMPLE HOUSEHOLDS ACCORDING TO THEIR LIVING STANDARD
(Uttar Pradesh and Madras, 1961-62)

Living Standard	Uttar Pradesh		Madras	
	Rural (Per Cent)	Urban (Per Cent)	Rural (Per Cent)	Urban (Per Cent)
$W \leq 0.30$	22.9	50.0	16.6	40.0
$0.30 \leq W \leq 0.60$	60.4	43.7	64.5	50.5
$W > 0.60$	16.7	6.3	18.9	9.5
Total	100.0	100.0	100.0	100.0

condensed in Table 2, by merging successive poverty intervals into three main

segments, viz, $w \leq 30$ per cent, 30 per cent $< w \leq 60$ per cent and $w > 60$ per cent, which may be regarded as the rich, the middle, and the poor classes, respectively. Table 2⁵ reflects the inter-regional and inter-class differences in the distribution of levels of living.

An interesting question arises regarding the shape of the distribution of w . Some Indian scholars working on NSS consumer expenditure data have found that the distribution of x is approximately lognormal. For certain items of consumption, Iyengar (1967) assumed that the joint distribution of (x, y) is bivariate normal in logarithmic scale, implying that the marginal distributions of x and y are also logarithmically normal. Further, the regressions between x and y are linear in logarithms. This has the further implication that the distribution of w is also lognormal. The present analysis indicates, however, that the assumption of lognormality for the distribution of w for cereals is not

realistic. This at once leads to the conclusion that the relationship between x and y is different from doublelog.

There is still another way of presenting the same data by drawing the specific concentration curves for the conditional distribution of x classified according to levels of w . For this, it is necessary to compute the mean values of the x 's for each of the w -classes. These group means are shown in Table 3.

The specific concentration curves vary from one region to another, and also between the rural and the urban areas within the same region. These curves lie above the line of equal distribution, showing that there is an 'inverse' relationship between x and w . This, indeed, is in accordance with Engel's Law. These curves indicate that consumption levels in urban areas are more unequal than in the rural sector. They also reveal that the rural-urban differentials in levels of living are much greater in Tamil Nadu as compared to in Uttar Pradesh.

Table 3 shows that an average house-

hold in Tamil Nadu spends nearly 13 per cent more than its counterpart in Uttar Pradesh. Rural households in these regions do not, however, exhibit wide differentials in their consumption standards. Perhaps, a more direct comparison of the average levels of living or poverty between the two regions could be made by simply computing the regional or sectoral relatives for each stratum of households. Those calculations are shown in Table 4.

CONCLUDING REMARKS

This study, confined as it is to only one item of necessity, is essentially of an exploratory nature; it could be extended to other items of necessity, covering other regions of India as well. Our calculations are based on data from only one subsample in both rural and urban sectors of the two regions. Use of two independent subsamples would have provided an idea of the margins of error in our conclusions.

There could be several questions pertaining to the use of the Engel ratio for establishing equivalence between levels of living. For instance, this ratio may not be a good indicator when the prices of cereals and other items of consumption in different regions have moved disproportionately. The comparison between the regions would be more meaningful when the size and composition of households being compared were the same.

Nevertheless, the exercise provides a realistic instance of a specific concentration curve lying above the line of equal distribution; this curve has some similarities with the class of concentration curves proposed by Bentzel (1970). It further shows that the relationship between expenditure on necessities and total expenditure differs from the linear doublelog relationship often assumed in the estimation of Engel elasticities (Iyengar, 1960). There is also a suggestion that a rise in the general standard of living is accompanied by a widening of consumption disparities. This tendency is discernible in most of the developing countries in the early stages of their economic development.

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TABLE 3 : MEAN CONSUMPTION LEVELS OF DIFFERENT CLASSES OF HOUSEHOLDS (Rural and Urban, Uttar Pradesh and Madras, 1961-62)

Living Standard	Uttar Pradesh		Madras	
	Rural	Urban	Rural	Urban
0-10	159.69	305.02	132.69	345.92
10-20	132.85	140.11	118.42	189.73
20-30	112.72	102.34	109.04	121.00
30-40	95.82	79.40	91.82	94.33
40-50	81.19	63.98	84.25	77.97
50-60	66.68	57.30	73.71	65.70
60-70	56.50	48.98	65.34	56.36
70-80	48.14	44.87	58.88	51.87
80-100	41.70	—	50.63	—
All classes	86.70	100.66	83.71	113.21

TABLE 4 : INDICES OF INTER-REGIONAL VARIATION IN COSTS OF LIVING, 1961-62 (Per Cent)

Living Standard	UP(U)		M(U)	
	UP(R)	M(U)	M(R)	UP(R)
0-10	191.01	88.18	260.70	120.35
10-20	105.46	73.85	160.22	112.18
20-30	90.79	84.58	110.97	103.37
30-40	82.86	84.17	102.73	104.36
40-50	78.80	82.06	92.55	96.37
50-60	85.93	87.21	89.13	90.46
60-70	86.69	86.91	86.26	86.47
70-100	97.35	86.50	93.49	83.07
All classes	115.87	88.91	135.24	103.77
Over-all	Numerators as weights 93.74	82.23	104.35	97.95
Means using	Denominators as weights 87.53	83.60	100.85	96.20
Simple average of the two means	90.63	82.91	102.56	97.07

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[This paper was presented to the Eleventh Indian Econometric Conference, Hyderabad, March 5-7, 1972.]

Notes

- 1 The concept of 'necessities' is a truly dynamic concept. Adam Smith, in his "Wealth of Nations," wrote: "By necessities I understand not only the commodities which are indispensably necessary for the support of life, but whatever the custom of the country renders it indecent for creditable people, even of the lowest order, to be without."
- 2 For definition of the concepts used, see National Sample Survey, 1961.
- 3 As already pointed out, a satisfactory definition of necessities is difficult to establish, as the concept of income adequacy is itself a dynamic one. In some of the Indian studies, however, cereals has been used as proxy. See, Mahalanobis (1962).
- 4 More recently, interesting definitions of poverty, based on nutritional standards, have been attempted by Dandekar and Rath (1971), Bardhan (1971) and others, using the distribution of x.
- 5 This classification is no doubt arbitrary. Alternatively, one might use fractile classification, following Mahalanobis (1960).

Mode of Production in Indian Agriculture

A Comment

Jairus Banaji

THIS article attempts to take up some of the points raised by Pares Chatterpadhyay in his reply to Utsa Patnaik (Review of Agriculture, December 1972). Chatterpadhyay's apparent preoccupation with clear definitions and his abundance of textual marxism conceal a real atrophy of theory. His thought, as Trotsky said of the historian Pokrovsky, is "gripped in the vice of rigid social categories which he puts in place of live historical forces".

INTRODUCTORY CONCEPTUAL POINTS

Firstly, it is difficult to see why Chatterpadhyay, having conceded that in relatively exceptional historical circumstances production relations and relations of property might bear a relation of 'non-equivalence', should want to continue to deny precisely this historical possibility in the imperialist transformation of juridical forms in India in the eighteenth century. To say, "what the colonialists introduced in India was private property and not bourgeois property..." does not help, for the whole question precisely revolves around the class character of the juridical relations through which big property of the colonial world which witnessed similar evolutions — French Indochina, Mexico under Spanish imperialism and so on. 'Private property' as such has characterised several historical epochs and modes of production. On the other hand, if Chatterpadhyay merely wishes to define property relations as production relations and then build his case on a series of tautologies ["there could be no question of bourgeois property in land in the absence of free wage labour..."] he is quite free to do so. It is interesting, nevertheless, that Bettelheim, whose authority Chatterpadhyay invokes, emphatically supports the position of Pierre-Philippe Rey that at no point in *Capital* can one find an identification of production relations and relations of property¹ [la tradition marxiste, constituée depuis la mort de Marx... a identifié, sans aucune raison, sans qu'on puisse trouver l'origine de cette identification en aucun point du Capital, rapports de production et rapports de propriété]. As juridical relations, relations of property belong to the superstructure, as Rey correctly maintains, and though they are determined

in the last instance by the relations of production, this determination is never a simple one. It is perfectly possible to maintain that in most parts of the colonial world which experienced the installation and expansion of big landed property, the instance determining these property relations was not the relations of production within the colonial social formations but those which prevailed between these formations and imperialist capitalism, that is, the international relations of production. Unlike the scattered precapitalist national modes of production which prevailed till the sixteenth century, the colonial modes of production were subordinate elements of a complex international structure.

Secondly, and less importantly, capitalism is not in the first instance an 'economic social formation', as Chatterpadhyay maintains, but a mode of production. A social formation is a historically unique object, an expression of the historical determination, in the widest possible sense, of one or a series of modes of production. As Poulantzas states, "a social formation, which is a real-concrete object, always original because unique (*singulier*), presents, as Lenin showed in *Development of Capitalism in Russia*, a particular combination or a specific interlocking of several 'pure' modes of production".² Thus Bismarckian Germany, Stalinist Russia, T'ang China — these are social formations. Capitalism is a mode of production.

Thirdly, as marxists our main interest is not the purely formal, abstract and sterile exercise of establishing the 'basic identity' of this or that capitalist social formation, but precisely the much more difficult and politically more important task of determining the *historical differences* between them. For, as Trotsky never tired of maintaining, history does not repeat itself. Again, if Chatterpadhyay prefers the relative security of conceptual tautologies ["capitalism is everywhere the same insofar as it has the same basic or essential features."] to the task of concrete historical analysis, let it be so.

CAPITALISM AND REVOLUTION IN RUSSIA

The disregard for concrete historical analysis which lurks behind an apparent concern for theoretical clarity is carried

ed so far, however, that we read with astonishment the following statement: "It is doubtful whether the leaders of the October Revolution would accept U Patnaik's unqualified statement 'Russia was no colony', for in their official account they clearly pointed out that, on the eve of the First World War, Russia was converted into 'a tributary semi-colony' of Britain and France". Firstly, it is doubtful that Patnaik ever made such an unqualified statement. Secondly, it is by no means certain that a history of the CPSU published in Moscow in 1948 has anything to do with the 'leaders of the October Revolution'. But both these points are minor ones. The important point is the bland way in which Chatterpadhyay passes from 'colony' to 'semi-colony', as if the modification of the concept were of no significance. The 'slip' is symptomatic of a decisive absence in Chatterpadhyay's work, namely, the absence of a *theory of colonialism*. Lacking such a theory, he is forced to stumble blindly and pragmatically from one 'characteristic' of the colonial period to another, without any sort of articulation emerging. Thus we are told that "the British accelerated as well as retarded the development of capitalism in India", that they "obstructed" the growth of capitalism in India by "preserving pre-capitalist relations" but also that "by its very nature imperialism contributed towards the development of capitalism in India". This unification of opposites would seem to make Chatterpadhyay's position impregnable, but in fact it reveals its theoretical vacuum, for at no point is there the slightest indication as to why this contradictory relationship existed. A real theoretical ambiguity comes into play at this point, for we are not sure whether to Chatterpadhyay it is the *blocking* of the productive forces in the colonial and semi-colonial world or their *emancipation* through accelerated capitalist development which is the dominant 'essential' feature of imperialism in its colonial phase.

This ambiguity is fully revealed by the fact that he goes on to quote a famous passage from Lenin's *imperialism* — "the export of capital influences and greatly accelerates the development of capitalism in those countries to which it is exported". Despite the hindsight of over 50 years which he has, Chatterpadhyay makes no attempt to *evaluate* this statement. It is simply presented as 'obvious'. But theory scorns the obviousness of 'elementary marxism'. A correct evaluation of Lenin's state-

ment presupposes a certain theoretical conception of the relationship between the advanced capitalist imperialisms and the countries which were subjected to one or other of several forms of imperialist domination. These relationships varied significantly according to the particular historical form of imperialist domination. Now, a few lines before making the statement in question, Lenin in fact reproduced a table showing the distribution of foreign capital circa 1910. The interesting point in this table is the fact that for each of the three major capital-exporting nations — Britain, France and Germany — the bulk of the investment was not in those sectors of the world which were directly colonised, i.e. subjected to a colonial mode of production, but in Europe and America (including the S American countries of Argentina and Brazil). Lenin could even point out that for German capital colonies were of no significance whatever.³ Figures from recent sources⁴ show that between them Europe, the United States and Canada accounted for 51.2 per cent and, including L America, for 70.5 per cent of foreign capital circa 1913, as against Asia and Africa's combined 24.3 per cent. Between them Canada, the USA, Australia, New Zealand, S Africa and Argentina absorbed 63.1 per cent of British investments at that period, as against a total of 14.4 per cent for India, Ceylon, W Africa, Egypt and the Far East (excluding Japan). This unevenness was even more pronounced in the case of French investments, the bulk of which was in Europe, especially in Russia, and of German investments which were divided between Europe and America. Cairncross writes that "even if we include L America it is unlikely that the less advanced countries as a group obtained more than about \$500 million a year in foreign capital in the decade before 1914 when the international flow of capital was at its tide".⁵

Thus capital was exported predominantly to those countries which stood in various intermediate forms of dependence vis-a-vis imperialism and to the USA which was itself moving into the role of an investor-imperialism to semi-colonies and neo-colonies lying predominantly in the temperate zones — with one major and significant exception — Russia.

Chattopadhyay's whole section on capitalist development in Russia misses this central fact, namely that Russia was the one major country with 'semi-Asiatic' characteristics, i.e. a large impoverished peasantry, which from the

inception experienced an advanced [because purely economic] rather than a backward form of imperialist domination. The failure to pose the question in these terms springs directly from his wholly one-sided grasp of dialectics. In other words, he understands the uneven character of historical development, even though in a purely formal way, but not, simultaneously, its combined character. For it was from the co-presence of both characteristics of the historical process that Trotsky was able, long before Lenin, to put socialist revolution in the foreground of the workers' movement in Russia. Chattopadhyay's presentation of the issue is not only dishonest, insofar as it deliberately ignores Trotsky, but intellectually bankrupt for it makes no attempt to explain the transition of 1917 in terms of the entire historical development of the preceding decades. Lacking this explanation he is forced to invent his own peculiar scenario for the Russian Revolution. We are told that it was due to the bourgeoisie's assumption of state power in February that Lenin decided on the transition to socialist revolution. In fact, of course, the whole point was that the bourgeoisie had not completely seized power and was overtaken in the course of attempting to do so, as Trotsky pointed out to Pokrovsky.⁶

But how could it be overtaken so rapidly? This question immediately takes one back to the whole character of Russia's economic development. Russia was in fact dominated as a neo-colony of French and Belgian capital, not as a 'semi-colony' as the apparent leaders of the October Revolution, writing in 1948, imagined. In her case this advanced type of imperialist domination — standing in sharp contrast to the colonial mode of production in India and Indochina — took two forms which co-existed. Not only was the Russian peasantry enslaved to the European Stock Exchange through the intermediary of the Tsarist state and its foreign debt, but foreign capital exploited the Russian working class through direct investment as industrial capital. As Trotsky wrote before the first decade of the century was complete in one of the most intelligent early appreciations of neo-colonialism:

"Deprived of the possibility of dumping its products on Russia, European capital crossed the Eastern frontier in its most invulnerable and attractive hypostasy: in the form of money. Any animation on the Russian financial market was always determined by the contracting of new loans from abroad. Parallel with this, the European entrepreneurs took direct possession

of the most important branches of Russian industry. Europe's finance capital, by assimilating the lion's share of the Russian state budget, returned in part to Russian territory in the form of industrial capital. This enabled it, through the intermediary of the Tsarist fiscal system, not only to exhaust the productive forces of the Russian muzhik, but also to exploit directly the working energy of the Russian proletariat. During the final decade of the nineteenth century alone, and especially after the introduction of gold currency in 1897, not less than 1.5 billion roubles of foreign industrial capital flowed into Russia..."⁷

But this was not all. The industrial capital invested directly in Russia took the form, predominantly, of large scale factory production, 42 per cent of the Russian working class laboured, at the turn of the century, in enterprises employing over 1,000 workers; another 15 per cent in enterprises with 500-1,000 workers. The concentration of industrial production in Russia in this sense was greater even than in Germany. What is important, however, is the specific social combination which this form of imperialist penetration determined. As Trotsky wrote in "Results and Prospects", "the proletariat immediately found itself concentrated in tremendous masses, while between these masses and the autocracy there stood a capitalist bourgeoisie, very small in numbers, isolated from the people, half-foreign, without historical traditions...".⁸ Furthermore, this was a bourgeoisie mainly resident in the parliaments of France and Belgium and one which had no desire to associate itself with the bourgeois opposition in Russia. As long as Russian absolutism conformed to the role delineated for it by the financial bourgeoisie of Europe, there was no basis for the potential contradiction between these two forces to emerge. "The European Stock Exchange was even directly interested in the maintenance of absolutism, for no other government could guarantee such usurious interest".⁹ In short, the transition to socialist revolution in 1917 was not the product of Lenin's political genius, but, fundamentally, of the whole historical experience of Russia's capitalist development, summed up in the relationship between a weak national bourgeoisie and a strong concentrated raw proletariat. [The relationship between the subjective and objective planes can be stated more rigorously by saying that the latter played the determining role, and the former the decisive one]. This relationship, however, not only made the transition pos-

sible but historically necessary as well.

The transition was a historic necessity due to the backwardness of the 'national' bourgeoisie in the face of the acute agrarian crisis which Russia was experiencing. It was not merely Russia's 'European' or 'American' industry or, on the other hand, her semi-Asiatic backwardness which in abstract isolation determined the possibilities of a transition to October. It was the combination of these characteristics or 'stages' of development. The Revolution was the product of combined and uneven development.

But to Chattopadhyay's purely one-sided understanding of historical development is added insufficient knowledge of economic conditions in nineteenth century Russia. Thus he quotes Gerschenkron to make the point that agricultural capitalism was relatively backward in Russia. But the question cannot be posed in these terms, for Russia was divided quite sharply into distinct agricultural-economic regions with their own special characteristics and levels of development. Again Trotsky's analysis makes the point quite clearly when it divides the fifty provinces of European Russia into (a) northern old-industrial region characterised by factories (especially textiles), cottage industries, flax cultivation and commercial agriculture, a grain-deficit zone, (b) Russia's America in the southeast, with practically no serfdom and with "wheat factories" using modern agricultural machinery and exporting grain; "in this area differentiation within the peasant community goes extremely deep, the peasant farmer standing at one end of the scale and the agricultural proletariat... at the other", and finally (c) Russia's India between the old industrial north and the new industrial south, densely populated, dominated by a landlord economy and experiencing considerable out-migration of the peasantry. "Here" Trotsky writes, "the capitalist farmer cannot compete with the pauper tenant-farmer, and the steam plough is defeated in the struggle with the physiological resilience of the muzhik, who, having paid as rent not only the entire profit on his 'capital' but also a large part of his wages, exists on a diet of flour mixed with wood shavings or ground tree-bark...".¹⁰ Of this the central black-earth region, Trotsky remarks, "compared with the north and south, the stratification of the peasantry is highly superficial...". The passage concludes as follows, with a specificity which is totally absent in Chattopadhyay's blank statements: "During the 1890s the semi-serfdom relations in agriculture which were dominant in

the twelve provinces of the central black-earth area prevailed also in five provinces outside the black-earth strip. On the other hand, capitalist agricultural relations predominated in nine black-earth provinces as well as in ten non-black-earth provinces; and lastly, in seven provinces the two systems were roughly equivalent".¹¹

It is not surprising, then, that Lenin should have referred to the survival of landlord economy shortly before 1917, for agricultural capitalism nowhere develops in an even fashion, least of all in terms of a 'natural-agricultural' space. Thus as far as today is concerned, one has only to look at the north of Iran with its mechanised cotton production, or Mexico's North Pacific region, or the southern states of Brazil, or coastal Peru or Colombia's Valle del Cauca, and contrast these regions with the impoverished zones surrounding them.

COLONIAL CAPITALISM AND WORLD CRISIS

It was precisely due to the form of imperialist domination which Russia experienced that such disparities in the level of economic development in agriculture could emerge. This form of domination did not entail the direct political subjugation of the nation and far from blocking the productive forces led to a relative development of industry and the home market. India, on the other hand, experienced a quite different type of domination by imperialism, where the export of capital was not only of secondary significance [thus in India's case commercial exploitation was far more important, cf. Bagchi] but also had a quite different impact on the economy as a whole, for when not sunk into railways and public utilities it was loaned to the government or invested in the extractive and plantation sectors with a low organic composition of capital. It makes little sense, in Marxist terms, to subsume the two radically distinct forms of capital flow involved in an accelerated neo-colonial development on the one hand (as in Canada, Australia, etc. at the turn of the century, where foreign capital amounted to between 30 and 50 per cent of gross domestic capital formation; or as in so many countries today) and 'traditional' colonial investments on the other (as in Indian tea) under the single term 'export of capital'. In a trite sense it is, of course, true that in both instances capital crossed geographical boundaries and engaged directly in production or in expanding infrastructure. But the effects of capital-exports were quite different in the two instances, due

chiefly to their volume and distribution; and hence the speed of capitalist development which they determined varied significantly as between the two sectors. Lenin's statement, while correct of countries like Canada and Australia, has to be interpreted differently for countries dominated by the colonial mode of production.

One could say, then, that because he wrote *Imperialism* at the historic juncture of neo-colonial and colonial domination, Lenin tended to confuse the two types of export of capital characterising these forms of domination (neo-colonial and 'traditional' colonial). The objective historical basis for this confusion was again the combined and uneven character of imperialist expansion, in which the final stage of colonial subjugation — in Africa and S E Asia — coincided with the growth of capitalist monopolies and the transition to the dominance of finance capital. While both these agents of neo-colonialism (finance capital and monopoly) participated in the exploitation of countries dominated by the colonial mode of production — a good case is Dutch finance capital and Indonesian sugar — the fact remains that European capital industrialised Russia and the white colonies at a rapid speed, whereas in the colonial and semi-colonial countries it tended to retard the development of capitalism. The two distinct modes of reproduction of capitalism — through neo-colonial loans and direct investment and through the colonial modes of production — were defined by (1) different speeds of capitalist development, (2) by different tendencies. Under the first the main tendency was the predominance of the capitalist mode of production (this was the essence of Lenin's controversy with the Narodniks) and under the second, due to blocking of the productive forces, disadvantageous international specialisation, external presence of centres of capital accumulation and direct political domination — i.e. all the basic characteristics of the colonial modes of production — the main tendency was what Bettelheim has called the "conservation-dissolution of non-capitalist modes of production"¹² or what an Egyptian Marxist M Hussein¹³ has described as an "abortive transition to capitalism" (*transition bloquée*) in which the mass of the Egyptian peasantry were "proletarianised" without becoming a proletariat, i.e. without stable reintegration into the process of enlarged reproduction of capital. Thus as late as 1915, after more than a century of colonial rule in India, over half a century of semi-colonial domination of Egypt and almost half a

century of colonial plunder of Indochina, Lenin could write: "In the colonies, however, capitalism is only beginning to develop".¹⁴

In fact, the new speed with which capitalism did begin to develop in the strictly colonial sector at the time of the First World War was not due chiefly to the penetration of foreign capital, but to an investment of national capital made possible by the crisis which hit international production relations. The case of semi-colonial China illustrates this point against Chattopadhyay who seems to think that it was primarily foreign capital which 'accelerated' capitalist development in that country. In fact, the first phase of imperialist semi-colonial domination of China merely transformed sections of the old Manchu ruling class into brokers for foreign capital (compradors); this situation "kept the country's productive forces in a political straitjacket" as Trotsky wrote around 1939. During the First World War, however, Chinese industry, like the industry of India, received a great stimulus. "It was during this period that the so-called 'national' bourgeoisie, seeking to establish its own economic base in competition with the imperialists, began to emerge..." Bipan Chandra has likewise shown, in an excellent article, how the major phases of industrialisation in India coincided with periods of crisis of capitalist imperialism, i.e., precisely those periods when the export of capital experienced decline.¹⁵ Bagchi's detailed research confirms this picture: "the grip of European businessmen on the economy of India was loosened by the impact of the First World War... the cotton mill industry under Indian control was stimulated by the growth of demand; many Indian concerns sprang up in engineering and other trades supplying the army and the navy... In other fields also, such as iron and steel, paper and cement India began to supply more and more of her own requirements". "Indian entrepreneurs advanced by taking advantage of the limited opportunities for import substitution... However, no decisive and irreversible advance was made until the coming of the depression", precisely when crisis hit world capitalism with special intensity. Egypt showed the same pattern. Here the number of industrial workers employed in big industry stood at 20,000 on the eve of the First World War and, after the depression, on the eve of the Second War, at 92,000.¹⁶ In all these instances — though with qualifications in the case of Egypt — it was a purely national capitalism which managed to advance.

Nothing is more misleading, then, than quoting Stalin's banal division of the colonies into 'more' and 'less' capitalistically advanced countries, and implying, as Chattopadhyay does, that the colonies were 'becoming capitalist' due primarily to the export of capital, i.e., foreign investment. As we have said, the flow of foreign capital had a quite different significance according to the particular form of imperialist domination, and when capitalism did begin to advance relatively fast during the First World War and the Depression in countries subjected to colonial or semi-colonial domination, the chief determinant was not the export of capital but the shift in the balance of forces between foreign and national capital brought about by crisis.

INDICES OF CAPITALIST AGRICULTURE?

In order not to have to concede the whole argument after admitting that agricultural capitalism was quite insignificant in India — though with two arguments which do not actually show this at all¹⁷ — Chattopadhyay is forced to decipher 'capitalism as a trend' in Indian agriculture. For this purpose he isolates what we are supposed to accept as indices of this 'capitalist trend' — firstly, the growing proportion of produce sold 'on the basis of the profit calculus'; secondly, the rate of growth of non-foodgrains; thirdly, differentiation among the peasantry according to the distribution of land and capital expenditure; fourthly, a 'non-negligible' force of free wage labourers; fifthly, a slow, "even very slow" rate of capital accumulation; and finally, expansion of irrigated area, diffusion of improved seed varieties and improvement of traditional technology. None of this, however, establishes 'capitalism as a trend', for in practically all countries dominated directly by colonialism these phenomena were present in varying degrees. What they reflected was not a developing landlord or peasant capitalism but the intensity of colonial exploitation, which, within the pregiven technological framework, forced the peasantry, firstly to produce for an unknown market, secondly, to exploit the soil and themselves more intensively; and which, in the second place, attempted to stimulate the production of the crops which were the main exports — cotton in Egypt, sugar in Indonesia, rice in Burma and Indochina — partly by paying more attention to technical characteristics in those sectors. One has only to read Owen's detailed study of Egyptian cotton production,¹⁸ or Cheng's less detailed study of Burmese rice production,¹⁹ or

Geertz's account of sugar production in Java²⁰ to be convinced of the fact that increasing commercialisation of production and the accompanying technical shifts in irrigated acreage and so on had very little to do with an internal development of capitalist agriculture. The forms of exploitation which made increases in the production of cotton, sugar or rice possible were far from 'capitalist'. In fact, to take one example, Egypt's integration into the world market as a cotton producer led, at the turn of the century, to a sharp upward movement in rents (from £E 4 per feddan to £E 8-10) which in turn intensified the trend toward exploitation through ground rent; and the substitution of *fermage* (where land was contracted on a short term basis for a fixed sum) for *metayage* as the dominant mode of ground-rent exploitation only left the peasant in a situation where all the benefits of a rise in agricultural prices were immediately swallowed up by rent increase.²¹

Again, differentiation of the peasantry was primarily a reflection of the growing pauperisation of the lower strata of the rural population under the pressures of colonial exploitation, and simultaneously of the (slow or fast) expansion of big landed property. The polarisation of rural property was the combined effect of a series of historical determinants such as an increase in the rate of population growth, rural bankruptcies resulting from excessive fiscal pressure or commercial slump, specific modes of transmission of rural property, an investment of commercial and other forms of capital in the purchase of land (for leasing), the formation of big estates through the action of the state, and so on. Rural semi-proletarianisation was emphatically not the product of an expanding agricultural capitalism but, in the last instance, of the specific mode of domination experienced by the colonial and semi-colonial countries, as Utsa Patnaik has argued elsewhere.²²

On the other hand, capitalist agriculture was making advances in areas of the world like the south of Brazil, the coastal region of Peru and parts of Mexico. In each case this was due to specific and exceptional historical circumstances not in the least characteristic of the colonial and semi-colonial world as a whole, e.g., in Mexico due to a radical bourgeois revolution which directly assaulted the semi-feudal properties established under Spanish colonial rule; or on the Peruvian coast due to the penetration of British and American monopolies which dominated sugar and cotton production directly and

not, as in Burma under the British or Java under the Dutch, through the peasant economy. In Peru and Brazil the growers of sugar, coffee and cotton had to import their proletariat from the impoverished zones, whereas in Burma, Java, Egypt, Indochina, and parts of India and semi-colonial China foreign capital exploited the peasantry within the framework of its own process of production. The technical shifts which occurred in the latter countries were in no sense a reflection of an internal transition to capitalism, i.e., of a spontaneous investment by landlords, rich peasants or merchant capitalists.

Finally, the existence of a free wage labour force in the sense of a labour force torn from the means of production and driven by economic necessity to sell its labour power, only indicates the presence of capitalist development under particular conditions. Such a labour force can exist without the co-presence of any of those conditions. Thus the transition from the *encomienda*, established in Mexico in the 1520s, to the *hacienda*, already dominant in the early seventeenth century, was accompanied by a progressive diminution of the Indian population, due chiefly to epidemics. This shrinkage increased the pressure of competition for labour supplies between the semi-bureaucratic fiscal agents of the Crown called *encomenderos* and the nascent *hacendados* or semi-feudal proprietors with the result that for a short historical period towards the end of the sixteenth century and start of the seventeenth, it was directly in the interests of the latter to accelerate the decay of the forced labour drafts (*repartimientos*) which were the basis of the *encomienda*. The transitional mechanism which played the temporary role of diverting labour from the *encomienda* was precisely free wage labour. Already by the 1580s free wage labourers (*gananes*) were being employed on the wheat farms of the Valley of Mexico. By the close of the sixteenth century this class had become quite numerous around Mexico City and Puebla, though progressively in the course of time, as the *hacienda* established its predominance, this free labour force became tied to the soil through various devices, chiefly the accumulation of debts. By the close of the seventeenth century the free proletariat of the previous century had become a semi-servile proletariat, for the *gananes* were now considered estate property. Yet the *hacendados* who in the late sixteenth century favoured the emancipation of Indian labour and, with the assistance of objective pressure such

as growing landlessness, induced it into their own economy with wages, were far from being capitalists, as Gibson's book and the work of Chevalier prove.²³

If we have seemed too 'polemical' in parts of this paper, we apologise, for this has not been part of our intention. We hope that the debate about the 'mode of production' started by Chattopadhyay's earlier contribution — with which we find more points of agreement — and by U Patnaik's articles will continue with new interventions.

Notes

- 1 C Bettelheim, "Remarques theoriques" in P-P Rey, *Sur L'articulation des Modes de Production*, volume two, p 177. Rey's text, quoted by us, is in volume one, p 83.
- 2 N Poulantzas, *Pouvoir Politique et Classes Sociales* (Paris 1968) p 11.
- 3 V I Lenin, "Collected Works", volume 22, p 243 (Moscow 1964).
- 4 Cf B Thomas, "The Historical Record of International Capital Movements to 1913" in J Dunning (ed) "International Investment" (Penguin 1972).
- 5 A K Cairncross, "Factors in Economic Development" (London 1965) p 40.
- 6 L Trotsky, "1905" (translated A Bostock, Allen Lane 1972) chapter 27.
- 7 *Ibid.* p 16, chapter called 'Russian Capitalism'.
- 8 L Trotsky, "The Permanent Revolution and Results and Prospects" (Pathfinder Press 1970) p 51.
- 9 *Ibid.* p 50.
- 10 1905, p 30-31, chapter called "Peasantry and the Agrarian Question".
- 11 *Ibid.* p 31-32. Cf Lenin, "Collected Works", volume 3.
- 12 C Bettelheim, "Theoretical Comments", Appendix I in Arghiri Emmanuel, "Unequal Exchange. A Study of the Imperialism of Trade" (New Left Books 1972) p 297.
- 13 M Hussein, *La Lutte de Classes en Egypte* (Paris 1971).
- 14 "Collected Works", volume 22, p 273.
- 15 B Chandra, "Colonialism and modernisation", Indian History Congress.
- 16 A K Bagchi, "Private Investment in India 1900-39" (Cambridge 1972); Hussein, *op cit* p 56.
- 17 Firstly, the fact that 35 per cent of the agricultural output was produced for the market speaks neither for nor against the thesis of an emerging trend of capitalist agriculture. Secondly, capitalist agriculture can be, and has historically been, based on exploitation of an 'unfree' proletariat in the early stages. Cf the Peruvian experience.
- 18 E R J Owen, "Cotton and the Egyptian Economy, 1820-1914" (Oxford 1969). In Egypt's case one can indeed talk about a capitalist trend but it was sporadic and confined to the biggest estates.
- 19 Siok-hwa Cheng, "The Rice Industry of Burma, 1852-1940" (Singapore 1968).
- 20 C Geertz, "Agricultural Involvement" (California 1966).
- 21 Owen, *op cit*, p 242-44.
- 22 *Social Scientist*, September 1972.
- 23 C Gibson, "The Aztecs under Spanish Rule. A History of the Indians of the Valley of Mexico 1519-1810" (Stanford and Oxford 1964); F Chevalier, "Land and Society in Colonial Mexico. The Great Hacienda" (California 1963), p 176.

Rajasthan Spinning and Weaving

RAJASTHAN SPINNING AND WEAVING proposes to invest Rs 45 lakhs in the share capital of a new company, 'Hindustan Electro-Graphites', promoted in association with the French industrial complex, Pechiney Ugine Kulmann, for manufacture of graphite electrodes and related products. The foreign collaborator will participate in the equity capital of the new company and also supply technical knowhow for erection and start-up of production. An agreement to this effect is being finalised. Meanwhile, in order to enable the new company to defray the obligatory expenditure with regard to its incorporation etc, a loan of Rs 5 lakhs is proposed to be granted to it, which will be repaid when it receives funds by issue of its shares. Graphite electrodes and anodes, which are essential for making electric steel and are also used in electrochemical industries, are largely imported from other countries. Rajasthan Spinning's

directors envisage "attractive prospects" for a good return on investment in the new company. Rajasthan Spinning is also setting up another textile spinning mill, which is expected to go into production in early 1974. The present spindleage, distributed among the cotton, viscose, acetate, acrylic, grey polyester, and dyed polyester blends sections, is considered 'extremely uneconomic'. It is stated that the cost of production per spindle per year has gone up, from Rs 218 in 1968 to Rs 432 in 1972. Commercial processing in the new dye-house plant commenced from April 1972. The company spent last year about Rs 26 lakhs on capital assets, including Rs 16 lakhs on the dye-house. It had encouraged the setting up of a silk mill at Bhilwara, which, in the absence of a process house in the vicinity, suffered a handicap in the production of synthetic fabrics out of the yarn supplied by the company.

Credit to Priority Sectors on Basis of Bankable Propositions

Lending Policy Clarified: No Detriment to Financial Discipline

Shri R K Talwar, Chairman of the State Bank of India, has stated that credit to the priority sectors can be made available only after formulating specific schemes that take into account the economic and organisational infra-structure.

"We are chary of hasty and adventurous measures that seem glamorous at first sight but are difficult in execution and could be disastrous in results", he said.

Referring to last year's competition for advances among banks, he said that as far as the State Bank was concerned, there was no lowering of lending standards whatsoever.

IN his speech at the 18th Annual Meeting of the shareholders, held in Bombay on Friday, the 30th March, 1973, Shri Talwar said:

"I am happy to welcome you all to the eighteenth annual general meeting of the State Bank of India. You will recall that last year's meeting was held in Calcutta. I said then that it was the intention of your Board of Directors to hold these meetings in different cities as often as practicable. I must, however, clarify again that there would be no point in holding this meeting in a city, in or around which the number of shareholders is too small to assure reasonable attendance. In any case, our choice thus being limited, these meetings can be held outside Bombay at best once in two years.

WORKING RESULTS

The annual report, including the balance sheet as on the 31st December 1972 and the profit and loss account for the year ended that day, is already in your hands. In spite of higher operational costs and lower credit-deposit ratio, to which a reference has been made in the annual report, you will be happy to notice that the profit for 1972 was higher than for 1971.

SURPLUS LIQUIDITY

Last year I had reported, with a sense of satisfaction, an improvement in the Bank's liquidity during 1971 in keeping with that in the banking industry. This had been the outcome of a faster rate of deposit growth and slower rate of credit expansion. This development, in the wake of a prolonged period of resource stringency in relation to credit demand, was, of course, wholly welcome. The

continuation, more vigorously, of this trend in 1972, however, caused some problems in the banking system.

Banks continued their thrust in the area of deposit mobilisation, as was incumbent on them to do, through branch expansion in rural areas as well as in metropolitan cities. Novel schemes were introduced, as witness our own premium prize deposit certificates and gift cheques. The success of these schemes was heightened by fortuitous factors coming into play, notably the heavy



Shri R K Talwar

injection of deficit financing as revealed in the Government of India's Economic Survey. Concomitant with this upswing in deposit accretion was a slow-down in the demand for credit, not only for food procurement operations but also for industrial production in general. In the event, the banking system was confronted by a steep fall in the credit-deposit ratio at 66 per cent in 1972 as against 73 per cent in 1971 and 78 per cent in 1970. From the stage of comfortable liquidity, we proceeded to the stage of a somewhat burdensome liquidity for the first time in more than a decade.

COMPETITION FOR ADVANCES

Two consequences of this development are noteworthy. One was that, to drop up their sagging credit-deposit ratio, banks began competing for advances. This was not exactly an unknown phenomenon. Prior to nationalisation and also thereafter, borrowers have transferred their accounts, either for better facilities or for greater flexibility in operations. The transfers of accounts that we saw in the latter half of 1972, however, could be construed as having in some instances gone beyond the boundaries of healthy competition. I had constantly voiced the opinion on various occasions during this period and at different forums that such unhealthy competition was not conducive to the growth of banking in this country. Although we were drawn into an unhappy situation, which we neither started nor perpetuated, I would like to assure you that, in so far as the State Bank is concerned, there was no lowering of lending standards whatsoever, nor was there a single instance where we could be held to have taken over any account from another bank to the detriment of any financial discipline sought to be imposed by the other bank.

In such circumstances, the intervention of the Reserve Bank of India was necessary and I welcome their guidelines which have put a stop to the unhealthy competition of the recent past. In my view, the new guidelines should really herald an era of greater co-ordination among banks in the lending field. The major banks being in the public sector, it will be to our mutual advantage to strive for a convergence of ideas, not merely in the matter of credit appraisal but in follow-up and supervision as well. Once we make adequate progress in this direction, it would not be unrealistic, perhaps, to express a hope that the monetary author-

ities could, in the foreseeable future, be influenced to relax, rather than tighten further, credit authorisation measures.

FINANCING PRIORITY SECTORS

A second consequence of the surplus liquidity was the spate of criticism, against not only the State Bank Group but against all banks, that they had failed to avail themselves of the opportunity to increase the flow of funds to the priority sectors. With all respect to those advancing this view, I wish to say that it is hardly necessary to emphasise our abiding interest in the priority sectors. We are, however, chary of hasty and adventurous measures that seem glamorous at first sight but are difficult in execution and could be disastrous in results. After all, if our resources were to be frittered away on wasteful projects, the advocates of instant aid to priority sectors would be ever more vociferous in condemning bank managements. The two premises on which such criticism is based are the need for funds by neglected and weaker sectors and the availability of these with the banking system. These premises are indisputable but, I am afraid, it is only up to this point that I can agree with the critics. To my mind, it is a rather simplistic notion if one were to believe that funds should have been injected into these sectors just because they were needed and were available. This is somewhat like saying that a patient who is in need of strength should be given all available food. After all, the patient's capacity to digest the food and convert it into energy must be reckoned with.

Let me restate our objective in this important field of bank lending. I believe that what is sought in such financing is not an outlet for the banks' resources, but that such credit should serve as a powerful tool for raising the level of production in these sectors and thereby improve the standard of living of the people connected with these activities. As I have indicated on past occasions, credit can be made available to these sectors only after formulating specific schemes that take into account not only the need for funds, but also the availability and development of the economic and organisational infrastructure.

LEAD BANK APPROACH

The banking system has adopted the Lead Bank approach to enable the commercial banks to play their due role in the process of economic development.

I believe that any strategy that we would like to adopt for purveying credit to the priority sectors should be given special emphasis in the framework of the Lead Bank scheme. The merit in this approach is that, at least geographically, our area of responsibility is clearly defined and this would enable us to set priorities for the deployment of human, physical and financial resources.

Under this scheme, the districts that have been allotted to the State Bank Group are all backward. A difficult and challenging task, therefore, lies before us in terms of ameliorating the economy of these areas. Our operations in the Lead Districts, as elsewhere, are essentially on the basis of an integrated area approach. It is agriculture that commands our major attention in our Lead Districts, in which we have already located 33 of our Agricultural Development Branches; many more will follow.

There is clearly a time-lag from the point at which an area is selected for intensive development up to the point when actual operations commence in the shape of loan accounts, and some more time is involved before results start flowing in terms of our stated objective. I feel prompted to indicate how this activity is conducted, and I shall give you brief details of the strategy that we are implementing.

The initial quick economic surveys of the Lead Districts have helped us to identify the centres where bank branches need to be established, but little more. As the next logical step, we have found it necessary to select pre-determined, manageable units of area for studies in depth — for the time being we regard such a unit as a 'development block'. Some studies have been completed and many more are in various stages of progress. A representative study reveals the credit gaps, in specific terms, in each economic activity, the scope and potential for investment for viable economic growth, as also the infrastructure gaps that need to be filled. Plans of action, both short-term and long-term, emerge from a study of the various factors and subsequently get crystallised into 'bankable' propositions.

FINANCIAL DISCIPLINE

The success or failure of any action plan depends on the individual borrowers who have to make efficient and productive use of the credit provided. At one of our Agricultural Development Branches, advances had been granted to a large number of villages under various schemes for growing high-yield-

ing paddy, new strains of groundnut, and other wet and dry crops. In one of these villages a group of borrowers belonging to the scheduled caste, a section deserving and receiving our special attention, turned recalcitrant and refused to repay the loans taken by them, despite good returns from their farming operations. We are not sure whether this was their own decision or they were instigated to this action by some other agencies, our evidence however, points to the latter. All our efforts at persuading and educating the borrowers in the matter of financial discipline having failed, we have invoked the help of the official machinery and instituted legal proceedings for recovery of our loans. This experience has not merely stalled progress in that village but the frustration and disappointment of our field staff has affected morale and our work in the adjoining villages as well.

In quite another area, at a village where the people were at or below subsistence level, 50 families, initiated into poultry farming, not only repaid their loans within 18 months but also doubled the size of their operations. The scheme was extended to cover all the 100 families in the village, and I am not exaggerating in stating that the living standard in that village today is one of near affluence, by local yardsticks. This experience has been successfully carried to another village on a larger scale and, what is more, the demonstration of this possibility has led to the State authorities initiating a similar scheme on a district-wide basis, and seeking our participation. Needless to add, ours has been a matching response.

In another instance, in a cluster of villages covering hardly 2,800 hectares of cultivable land in a dry belt, a group of enterprising small farmers were enabled, with substantial credit facilities, to plan and implement a scheme for lifting water from a nearby canal in a major irrigation system to wet their lands which are on a higher level. Within a few years farming operations have been mechanised, modern cultural practices have been adopted, extensive additional employment has been generated and per capita incomes have soared. Goaded by success, the farmers are now seeking to enlarge their incomes further by going in for dairy farming and, at one more remove, through processing of their own agricultural produce. One tangible effect of this success is the State Government's initiative in preparing similar projects for development of many more

villages in the same area.

A crucial factor, therefore, for success in this activity is the integrity, enterprise and motivation of the borrowers. From the experience gained, we feel that what we can do is to start with a group of borrowers who are endowed with these attributes, help them to make efficient use of the credit and ensure that they derive the benefits intended. The success experienced can then be transplanted into a larger group and the area of operations gradually expanded. The purpose of my elaborating on this theme is to focus attention on the very considerable time and effort involved in this activity. In-depth studies, formulation of schemes and bankable proposition, initial experimentation and gradual extension are time-consuming; but I believe this is the process that will produce tangible and permanent results.

GOVERNMENT'S ROLE

I would like to mention here one element which is of paramount importance to the development effort, namely, the co-operation, assistance, and, indeed, positive contribution of the State Governments and their agencies at the grass-roots level. Action plans or schemes formulated by us cannot but be within the framework of the concerned State Governments' development plans for the area. Problems arise when a State Government feels that we are there only to function as providers of funds, and, even that, in a manner decided upon by the Government; they feel unhappy when we raise questions about 'bankability' of the propositions and schemes. There has been, happily, welcome and positive response in some areas but one may say without complaining that there are many more areas where things are different. To quote an instance, the Government readily agreed, in one small area, to authorise the recording of particulars of share-croppers in the land records, enabling the Bank, thereby, to launch upon a special experimental scheme for financing these share-cropper agriculturists. The scheme was implemented with enthusiasm by the Bank, and the results in terms of increased production as also prompt payment of bank loans have been quite satisfying. In an adjoining area, in the same State, where the Government, for reasons of its own, decreed remission of all Government dues, the borrowers adopted the attitude of refusing the repayment of our loans also. I would plead that what is needed is an appreciation by the State

Governments that our objectives are no different from their own, even though our approach may not be the same as theirs.

INTERNATIONAL BANKING

In the field of international banking, the Bank's policy has been to assist the development of the country's export trade by providing the necessary advisory, promotional and financial services. We are well equipped to meet the diversification taking place in the country's exports and the projects we handled in 1972 covered a wide range, including export of steel rails, cement plants, textile mills, railway wagons, electricity generating equipment, diesel engines and heavy-duty transport vehicles. The goods went to a number of countries such as Iran, Iraq, Kuwait, Egypt, South Korea, Syria, Malaysia and the Philippines and also East European countries like Hungary and Poland. Our assistance went beyond the mere mechanics of providing finance and included advising exporters on drafting of the contracts and finalising documentation and other formalities which are of a highly technical character.

Apart from assisting the development of the country's export trade, international banking offers good scope for increasing our earnings, so necessary for carrying out our developmental activities at home. You may be happy to know that we are seriously considering the possibilities of expanding our international banking operations. The working of our foreign branches at New York, London and Colombo, and the Representative Offices at Frankfurt and Beirut, has been very encouraging during the year. Our expansion has, however, to be in terms of a well defined policy which will take into account the growth prospects of trade in different territories and the type of business that we wish to take on.

REORGANISATION

The plan of reorganisation of the administrative structure and customer operations was extended to all offices of the Bank in 1972. Our efforts are now directed at stabilising the new system, so as to derive the substantial advantages that the new design is capable of producing. An important element of the new system is the introduction of performance budgeting to provide a better sense of direction for the operating units and appropriate feedback to policy-making levels. Simultaneously, attempts are also being made to rationalise the information

structure in order that the system may provide data for purposes of operational control as well as for statistical analysis.

STAFF RELATIONS

My thanks are due to the vast majority of our staff for the sense of loyalty and dedication they bring to bear on their duties, despite the numerous distractions of which they are reluctant victims.

The concept of employee participation was given concrete shape last year in the banking industry with the nomination of employee representatives on the Boards of Directors of the nationalised banks. Similar changes are to be effected in the State Bank Act also to provide for such representation on our Board. I feel, however, that, employee participation does not end with the induction of employee representatives in the Boards of Management means that at every branch employees must share responsibility for formulating the branch objectives and strategies as also their successful execution. This problem bristles with difficulties but must be tackled in earnest by the unions and management.

Last year I mentioned the need for changing the tasks in keeping with the employees' creativity needs. Job enrichment can be effected, perhaps, in several ways. Our experience in the last one year has shown us that an effort at changing individual jobs in a large organisation has its limitations. What is feasible, perhaps, is first to locate the employee groups in a branch, in which each member is performing a job complementary to the jobs performed by other members of the group. Thereafter, an attempt can be made to improve the content of the group task, so that a more direct relationship is established between the work being done and the branch objectives. Experimentation with this approach has started and the results strengthen our desire to launch a more purposive effort in the coming year.

LOCAL BOARDS

Shri P Brahmayya, President of the Madras Local Board and Director of the Central Board, and Shri J B Dadachanji, Vice-President of the New Delhi Local Board, relinquished office during the year. As at the beginning of this year, Shri Vijay M Merchant, Member, Bombay Local Board, also relinquished office. I thank all the three for their able guidance and direction".

CURRENT STATISTICS

Capacity and Production of Industries, 1971 and 1972

S No	Name of the Industry	Accounting Unit	1971			1972			Remarks
			No of Units	Installed Capacity	Actual Production	No of Units	Installed Capacity	Actual Production	
1	2	3	4	5	6	7	8	9	10
Industrial Machinery									
1	Sugar mill machinery	Rs Lakhs	16	2300	1634.75	16	2300	1800	
2	Cement mill machinery	"	10	2600	323.0	10	2600	200	
3	Conveyors	"	16	864	1042.00	16	960	1100	
4	Printing machinery	"	6	96	37.25	7	96+	45	
5	Reduction gears	"	13	562.00+	576.00	15	643+	700	to be assessed
6	Tea processing machinery	"	6	256.5	101.41	6	256.4	88.48	M G 170 numbers
7	Steel plant equipment	"	2	N A	1628	2	N A	1500	
8	Metallurgical machinery	"	15	—	708.71	18	—	600.00	
9	Rayon Plants	"	4	—	141.99	4	—	165.00	
10	Pulp and paper machinery	"	13	666	535	15	1288	675	
11	Cranes	Tonnes	29	45000	9710	29	45000	10000	
12	Lifts	Nos	3	910	575	3	910	620	
13	Industrial roller chains	Rs lakhs	5	145	146.037	5	255	185	
14	Ball and roller bearings	Nos Rs	7	172,23,320	188,65,454	7	207,02,520	210,00,000	
15	Jute machinery	Rs lakhs	—	—	494,22,32	—	—	644	
16	Chemical and pharmaceutical machinery, including heavy fabricated machines for fertiliser chemicals	Rs lakhs	59	2740 lakhs +2531 lakhs	Rs 2020 lakhs	60	3318 lakhs +271.3 lakhs	Rs 2760 lakhs	
17	Railway wagons	Nos (in-terms of 4-wheelers	16	32819	8010	16	33869	9721	
18	Dairy machinery	Rs lakhs	3	257	347	5	532	370	
19	Rubber machinery	"	2	58	20.06	9	1020	30	
20	Ceramic machinery	"	1	12	7.91	5	120	20	+ capacity not fixed for registered units)
21	Transmission towers	Tonnes	18	95100	57767	18	95100	60000	
22	Ship building repair	Rs lakhs	14	368	974.78	14	868	1,000	
23	Light, medium and heavy structurals	Tonnes	92	3,65,000	1,04,210	93	3,70,200	1,18,000	
Light Electrical Industries									
1	GLS lamps	Mill Nos	11	83.40	110.57	11	128.70	125.00	
2	Fluorescent tubes	"	7	9.20	10.56	9	15.30	13.00	
3	Miniature lamps	"	7	33.80	39.34	7	56.60	44.00	
4	Electric fan	"	17	1.81	1.96	17	2.75	2.75	
5	Dry cells	"	7	539	579.5	7	539	619.5	
6	Storage batteries	Lakh Nos	7	128	11.55	7	12.8	10.96	
Heavy Electrical Industries									
1	Transformers	Million KVA	29	9.265	10.156	29	9.255	10.8	
2	Electric motors	Million H P	33	3.1	2.6	33	3.1	2.0	
3	Motor starters	Nos	1.1	3,77,764	3,82,684	11	3,77,764	3,72,650	
4	Switch gear and control gear	Lakhs	42	—	450	45	—	4,721	
5	AAC/ACSR conductors	Tonnes	38	1,02,280	73,365	40	1,06,850	86,000	
6	Winding wires	Tonnes	—	—	—	—	—	—	
(i)	Enamelled winding wires	"	24	16,570	13,061	26	18,313	14,000	
(ii)	Paper covered winding wires	"	18	10,579	6,162	18	10,579	6,500	
7	PILC power cables	K M	11	21,379	17,199	11	20,397	16,800	
8	PVC power cables	K M	—	—	—	—	—	—	
9	PVC/VIR cables	M C Yards	26	949.23	540.37	27	961.23	625.20	
10	Dry core cables	K M	1	4000	1700	1	4000	2500	
11	Coaxial cables	K M	1	4250	256	1	4250	500	
12	Bare copper conductors	M T	4	14200	860	4	14,200	500	

S No	Name of the Industry	Accounting Unit	1971			1972			Remarks
			No of Units	Installed Capacity	Actual Production	No of Units	Installed Capacity	Actual Production	
1	2	3	4	5	6	7	8	9	10
Heavy Engineering Industries									
1	Boiler and boiler mountings	Rs lakhs	13	1150	4092	13	1330	5000	
				1.3	Lakhs Rs		1.3	Lakhs Rs	
2	Cast iron castings (including alloy iron castings)	Tonnes	47	3,28,600	1,04,000	60	3,50,000	1,20,000	
3	Steel castings (including alloy steel castings)	"	42	1,37,470	54,300	44	1,35,270	62,000	
4	Malleable iron castings	"	11	22,100	17,000	12	28,900	18,500	
5	S G iron castings	"	10	7,838	2,100	10	7,838	2,650	
6	Precision instrument castings	"	7	108	—	2	108	15	
Instruments									
1	Industrial process control instruments	Rs Millions	9	129.2	73.7	9	137.5	81.2	
2	Scientific and surveying instruments	"	12	37.5	23.0	12	44.5	38.4	
3	Water meter lakh nos	"	6	3.2	1.61	6	3.2	1.32	
4	Medical and surgical instruments	Rs Millions	8	35.0	16.6	9	37.5	20.1	
5	X-ray and electromedical equipment	"	6	31.5	27.66	6	38.0	30.2	
6	Photo graphic and photo copying instruments								
	(i) Box cameras	Nos	1	80000	1.66	1	4.80	2.75	
					lakhs				
	(ii) Photo copying machines	"	1	240	132	1	214	150	
					Nos		Nos	Nos	
	(iii) Photo scanning machines	"	Nil	Nil	Nil	2	1500	200	
							Nos	Nos	
7	House service meters								
	(i) Single phase	Lakh Nos	15	16.27	22.03	15	16.27	15.27	
	(ii) Poly phase	"		4.30	6.4		4.30	3.2	
8	Electrical measuring integrating recording instruments	Rs Millions	9	26.5	20.80	10	48.00	36.00	
9	Jewels and jewel hearings	Million Nos	2	9.00	4.8	2	9.00	5.5	
10	Electrical contacts	Rs Millions	2	5.00	7.0	3	17.50	10.50	
Glass Industry									
1	Sheet glass	Mill sq ft.	4	22.0	16.54	6	22.0	20	
2	Glass shells	Mill pieces	7	165	137	7	165	166	
3	Vacuum flasks	Mill pieces	3	4.5	3.8	3	4.5	4.5	
4	Laboratory glassware	Tonnes	1	7200	896	1	7200	1800	
5	Bottles and vials	"	22	2,40,000	1,80,000	23	2,64,000	2,00,000	
Paper Industry									
1	Paper and paperboard	Tonnes	59	8,82,000	7,74,759	59	9,24,000	3,13,338	
2	Newsprint	"	1	35,000	40,081	1	75,000	42,048	
3	Rayon grade pulp	"	2	87,000	53,994	3	1,23,000	72,776*	Estir fig
4	Paper grade pulp	"	1	21,500	22,230	1	22,500	21,591*	
Leather Industry									
1	Vegetable tanning of hides	Cow hides	9	21,66,000	9,61,631	9	21,66,000	10,52,060	
2	Chrome tanning of hides	Hides	9	21,40,000	11,36,100	10	21,72,500	49,57,800	
3	Western type of leather footwear	Pairs	8	1,38,47,000	83,50,003	8	1,38,47,000	95,39,850	
4	Indian type of leather footwear	Pairs	8	94,67,000	76,37,248	8	94,67,000	59,74,900	
5	Picking bands	Kgs	5	5,01,360	1,06,238	5	5,01,360	78,235	
6	Leather beltings	Kgs	5	2,10,000	57,727	5	2,10,000	43,300	
7	Glue	Kgs	3	28,20,000	27,20,244	3	28,20,000	30,35,480	
8	Myrobalan extract	Tons	2	7,704	1,077	2	7,704	935	
9	Cotton hair belting	Tons	2	18	47.10	2	18	32.80	

(To be continued)

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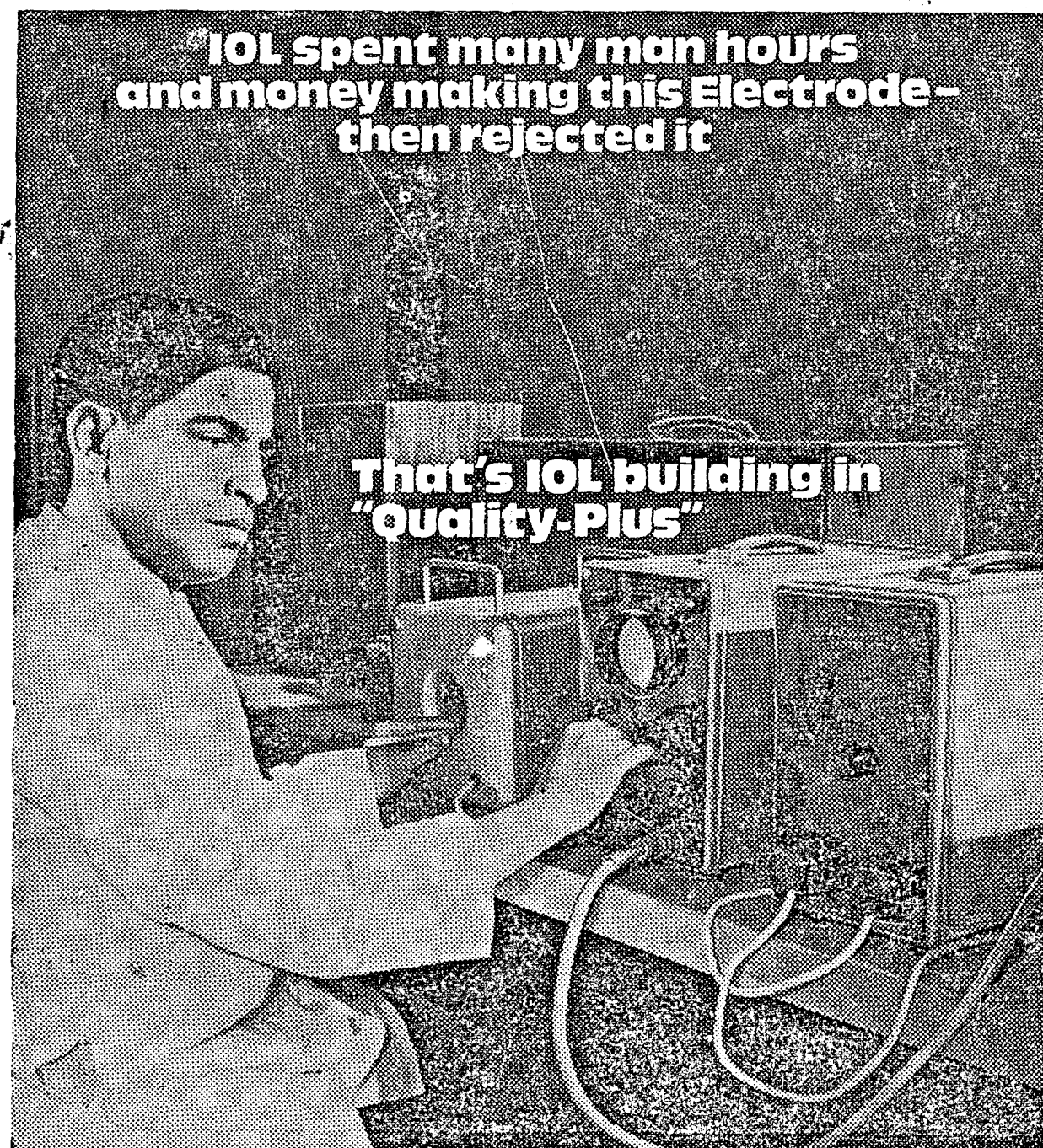
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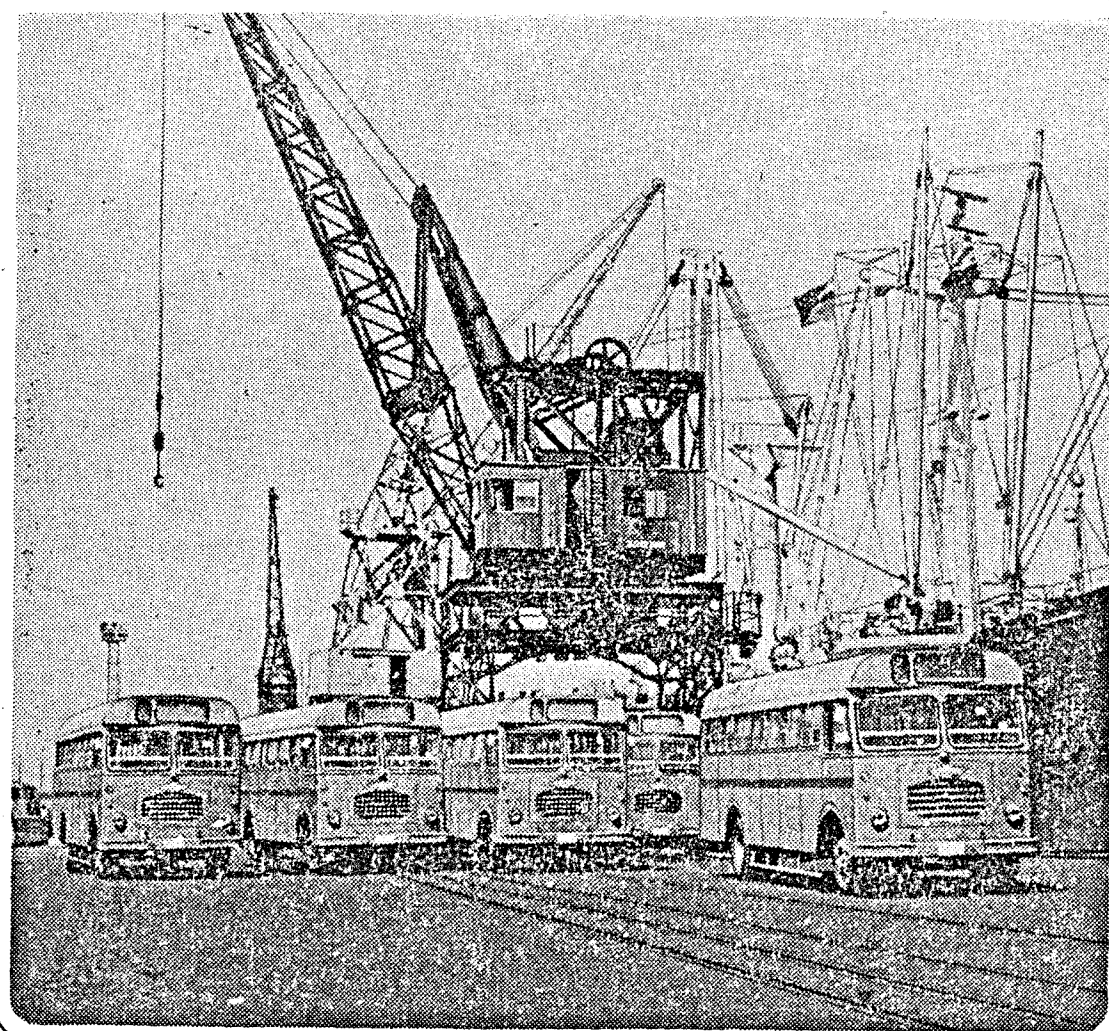
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ECONOMIC AND POLITICAL WEEKLY

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Balancing Act

EVENTS of the last three weeks in Sikkim have exposed the constraints on change in a small country which is a protectorate of a big neighbour. For years on end, the Chogyal, sometimes with the benign support of the government of India and sometimes by holding out indirect threats of inviting the Americans into his little kingdom in case New Delhi should demur, had gone on enforcing an authoritarian rule on his people. Even when, a few years ago, he condescended to accept a facade of democratic arrangements for electing a Durbar to advise him, it was the imperial model of divide-and-rule which was the guiding impulse. The principle of one-man-one-vote was brushed aside. In lieu, what was adopted was the stratagem of 'communal' representation; the Nepalis, constituting nearly three-quarters of the population, could elect only the same number of members as the remaining one-quarter consisting of the Lepchas and the Bhutias. The Chogyal, in addition, directly nominated nearly another one-third of the membership of the Durbar.

For a while, the Chogyal tried to exploit the animosities between the leaders of the Janata Congress and the National Congress, but the joint Council of Action formed by the two groups put paid to any ambition which he might have cherished along these lines. He then fell back on a much more dangerous, but somewhat obvious, strategy, namely, to arm some of the Tibetan refugees and deploy them for beating up the activists of the two Congress parties. The Chogyal did not quite stop here. He was not averse to selling the story that the two Congresses were surreptitiously trying to attract China's favour. The fact that the Tibetan refugees were aligned with him and not with the opposition groups was used by him as a bait to tempt the government of India with.

The bait apparently had worked in the initial phase. The alacrity with which Swaran Singh, on his way to Burma, had stated that it was the government of India's duty and obligation to respond to the Chogyal's request for troops took one's breath away. Indian army personnel were moved within a few hours of the Chogyal's prayer being communicated to New Delhi. It was almost as if Sikkim was just another disturbed state within the Union of India, the problem was simply one of restoration of law and order, and New Delhi was despatching, in the ordinary course, a few additional contingents of the CRP to put down the mischief-makers bent on embarrassing the local administration.

Fortunately, there would appear to have been an attack of belated wisdom. By the time Indian troops took up position in Gangtok and other places, large sections of the population, including fair numbers of even Bhutias and Lepchas, were in revolt. In the changed circumstances, the Chogyal can survive only if protected by New Delhi. He too realises this, and has hurriedly handed over the reins of government to India's representatives. New Delhi has gone on record that, after restoring law and order, it would hand over the reins of administration to the civil authorities. This may be pure formalism, but who will henceforth constitute the 'civil authorities' is the core of the matter.

Inevitably, the charge has been made, and not by the Chinese alone, that the government of India may have had a hand in the agitation against the Chogyal. It is known that the government has not been very happy with the pseudo-nationalistic noises the Chogyal has been making and the newly appointed Indian Administrator, B S Das, did hint before leaving for Gangtok that it was possible that the Chogyal may be reduced to the position of a titular constitutional head. Be that as it may, what appears most likely is that the government of India will seek to bring about a compromise between the Chogyal and the Joint Action Committee which will leave both parties dependent on it. In the short-run, the government's ability to enforce some such solution need not be doubted. But will it resolve any of the basic issues? Inside Sikkim the problems between the Chogyal and those outside his charmed circle and between the Nepalis and the Lepchas and the Bhutias must raise their heads again soon enough. Equally, it would be naive to think that with the Chogyal's wings clipped, the strain on relations between Sikkim and India will ease.

Maharashtra

High-Powered Promotion

THE Maharashtra government has declared that 50 per cent of the water stored in the dams which serve the cotton growing districts will be reserved for pre-monsoon cultivation of H-4. This year in western Maharashtra there is no water available in the dams other than that committed to what little sugarcane is still surviving. Does the government intend to starve this sugarcane of water? The only justification for such a radical step would be if the water was diverted to foodgrain or fodder cultivation in this year of drought. To starve the sugarcane of water and give the water to H-4 cotton would be a pointless cruelty.

The second step the government has taken to promote H-4 is pressuring the nationalised banks not only to disburse loans for the growing of H-4 cotton, but also to take up schemes and do extension work to promote the variety. The government has even gone so far as to help recover loans given for H-4 through the monopoly cotton procurement machinery. This is especially significant in the light of the uncompromising statement made last year by the Minister for Co-operation that no dues other than those of the co-operatives would be recovered under the monopoly procurement scheme. In fact in several towns the agents of nationalised banks seeking to collect dues from farmers were prevented from entering the premises of the cotton market yards. The chairman of one of the banks had taken up the matter with the finance ministry with no results. Large amounts of loans given for cotton crops by the banks still remain uncollected. They could be collected from the 20 per cent payment the marketing federation still has to make. The federation has, however, refused to co-operate in this respect. It is strange, in the circumstances, that the chairmen of the banks have agreed to the arrangement about H-4 cotton without a protest.

It is fairly obvious that the government must have a very good reason to go to such ridiculous lengths to promote H-4 cotton. The suitability of a crop for a particular region and a very high yield potential could be the justification of such a high-powered promotion campaign. But we find that although H-4 cotton has done well in Vidarbha, in western Maharashtra trials over the past three years at the government experiment stations at Malinagar (Sholapur) and Kopergaon (Ahmednagar) have

shown that this long-duration cotton gets caught in the September rains, resulting in uneconomically low yield levels. Also, because it is a long-duration crop, it makes a second crop, usually wheat or jowar, impossible.

One has therefore to look elsewhere for the reason for the promotion campaign. In an article in the *Economic Times* of March 20 a contributor attempts an educated guess. He writes: "Individual impulses and self-interest, rather than deep economic studies, operate as the motive force for the formulation of major policies. Thus, a few big-wigs in authority may themselves be producers of quality seed. They may encourage special programmes to produce hybrid jowar seed or H-4 cotton seed or soyabean seed and their procurement through co-operative institutions under government guarantees, with the result that the anticipated demand may just not be forthcoming and the procurement agency may be forced to carry large seed stocks, involving huge losses. As examples, we can cite the reported losses of Rs 10 crores on the hybrid jowar seed and Rs 1 crore on H-4 cotton seed, which is commented upon by the Public Accounts Committee."

The fact which the author of the above article has failed to point out is that despite holding large carry-over stocks of H-4 seed, the Maharashtra State Co-operative Marketing Federation is procuring a further Rs 2 crores worth of H-4 seed this year. It would be interesting to compile a list of growers who produced H-4 seed on substantially larger areas than the ¼ acre which the government allows a single farmer. Such a list would surely give an indication why the government of Maharashtra is using all the means — fair and other — at its disposal to push H-4 in an area where there is no agronomic or economic justification for doing so, and consequently blocking the introduction of more improved varieties developed by Gujarat and the Indian Council of Agricultural Research.

Exports

Enough of Fun and Games?

THE Commerce Ministry has decided to move back to the old system of compilation of export data using finally passed shipping bills (FPSB) instead of provisionally passed shipping bills (PPSB). The decision, we are told, follows the recommendations of the Committee headed by B S Minhas, a Member of the Planning Commission. It is

a minor mystery why the Committee required over 14 months to come to the simple conclusion that the old system of compiling data on the basis of FPSB gave a more accurate picture of exports. Or is it that the change in the method of recording export data had to await a change of the Minister of Commerce?

The change to the now discredited PPSB based system had been made following the recommendations of a working group headed by P L Tandon. The objective of the change was to expedite compilation of export data and to reduce the time-lag with which they were made available to policy-makers. But in fact under the PPSB system the time-lag in release of export data was not only not reduced but, in fact increased considerably. In any case, the expected reduction of time-lag in compilation of export data with the FPSB system was not more than three weeks. In the event, the change created all-round confusion with the then Minister for Foreign Trade trying to claim credit for a fictitious export growth of 8.6 per cent in 1970-71 until the Reserve Bank came out with its own figures in February 1972. The credibility of the Ministry's export statistics further suffered on account of double counting of figures of short and shut-out shipments and taking credit for massive relief material sent to Bangladesh and for commodities sold within the country against projects financed by international developmental agencies.

Due to the change in the method of recording export data in November 1970 we do not have a comparable continuous time-series of export data after 1965-66. Comparability of time-series export data could be maintained by ascertaining the extent of statistical inflation of the export figures for 1970-71. It had been suggested in these columns (March 18, 1972, p 607) that the Minhas Committee could usefully undertake a sample survey of finally passed shipping bills for a representative group of commodities at the more important ports. This would indicate the length of the time-lag between the date of provisional passing of a bill and the final shipping of commodities against that bill. It would be possible on that basis to estimate the statistical inflation of export data for 1970-71. It is a pity that the Committee has apparently not gone into this aspect of the problem.

The shift back to the FPSB system now is likely to create further confusion if the DGCIS apparatus does not understand the implications of the change

correctly. In view of the time-lag between the provisional passing of a shipping bill and the actual shipment of goods against it, some of the exports taking place after April 1, 1973, would have been included in the figures for the earlier period when export data were being compiled on the basis of the FPSB system. It is not known whether the statistical lead built into the export series during the period from November 1, 1970 to March 31, 1973 is at all going to be corrected. Unless the exercise mentioned above is carried out, the DGCIS is likely to blunder once again in its data compilation. It needs to be impressed upon the DGCIS sufficiently in advance that it must not make a downward adjustment of export data for the current financial year on account of short and shut-out shipments relating to the provisionally passed shipping bills used for compiling data upto March 31, 1973.

Consultants

Too Many Doing Too Little

A Correspondent writes:

THE lack of direction in planning for development of indigenous technology has been well brought out by your Delhi Correspondent ("Cover for Import of Technology", March 24). It is indeed unfortunate that while on the one hand an impression is given that the Central Engineering and Design Bureau (CEDB) is overloaded with work, so that the feasibility study for the Tata Steel expansion had to be entrusted to Japanese consultants, CEDB itself has been engaging in tasks unconnected with steel technology, the development of which should be its basic concern. The statement that the CEDB carries a heavy load of work is thus disputable. With a virtual stalemate as regards the proposed new steel plants as well as the expansion of the existing plants, CEDB seems to have hardly enough work for its team of more than 1,000 engineers.

It is obviously detrimental to the development of indigenous technology that public sector consultancy firms, such as CEDB, NIDC and Engineers India should try to edge out one another rather than specialise in well defined fields of operation. The Toyo affair lends credence to the apprehension that there are too many people doing too few things.

The more important, and perhaps less noticed, aspect is that the CEDB has done little to develop design capacity in the country. Though its name

suggests that it is a design bureau, all these years it has almost exclusively concerned itself with only project engineering. Development of design capabilities seems to be nobody's concern. It may be news to many that the Heavy Engineering Corporation, which is the sole public sector agency for manufacture of steel plant equipment in the country, also maintains a design organisation with more than 400 engineers. But neither CEDB nor HEC has done any tangible work so far for developing basic designs. For instance, there is no organisation today that can prepare the basic designs for essential steel plant equipment, such as blast furnaces or converters. To add to the multiplicity of agencies, Bokaro has its own design bureau. Since all these organisations — CEDB, HEC and Bokaro — are Soviet aided, what actually happens is that Soviet designs are borrowed and copied meticulously in three different stages by three public sector agencies! Need one look any further for the reasons for our perpetual dependence on foreign steel technology?

Our consultancy firms have indeed become sub-agents of foreign firms. It is time someone thought of building up a truly indigenous organisation for filling up the gap — almost a vacuum — in technology. For the development of ferrous technology an organisation could be easily developed around the CEDB and Dasturs. In respect of non-ferrous metals, the responsibility should be fully that of NIDC. For coal, an R and D organisation should be set up under the newly-formed Coal Mines Authority and Bharat Coking Coal, abolishing the Coal Board whose *raison d'être* consisted of the subsidies amounting to crores of rupees it used to disburse to private collieries. In the field of fertilisers, FCI and FACT can certainly be trusted with the job. Finally, Engineers India would do well to refrain from poking its nose in everyone else's affair and confine itself to the field of oil. The country should learn to respect ideas and not persons.

CRP

A Fact of Life

IT is apparently the strength of the presence of the Central Reserve Police which separates the good guys from the bad guys among our states and union territories. The three brief paragraphs on the CRP in the Home Ministry's annual report for 1972-73 say nothing about its deployment. However, some bare figures of the distri-

bution of the CRP's 360 companies as on February 1, 1972, have been published in the press recently. It does not come as a surprise that, on that date, 60 of the 360 companies were stationed in two states, West Bengal and Kerala. It is, of course, no coincidence that these happen to be the two states where there is a credible communist alternative to the Congress reign. That Andhra Pradesh should just now have 65 companies of the CRP is similarly not unexpected in view of the agitation for bifurcation of the state. The presence of 31 CRP companies in Jammu and Kashmir should also cause no surprise. This, after all, is only one of the many manifestations of the 'special status' of that state.

What does, however, come as something of an eyebrow-raiser is the concentration of the CRP in the country's north-eastern region comprising the states of Assam, Manipur, Nagaland and Tripura and the union territories of Arunachal Pradesh and Mizoram. Together, these states and union territories accounted for less than 19 million of the country's total population of 548 million in 1971. Yet, they had 153 of the 360 companies of the CRP at hand to keep watch over them. And unlike in the case of, say, Andhra Pradesh, the CRP and the paraphernalia that goes with a para-military force of this kind are a constant presence in this region. In fact, the strength of the CRP there just now is very likely rather below its normal complement because of the need to divert temporarily a certain number of companies to Andhra Pradesh.

Even such acute concentration of the CRP is not, however, considered sufficient to adequately discharge the function of "maintaining law and order" in the region. For, there is the Assam Rifles which is exclusively deployed in that part of the country. The Home Ministry's Annual Report for 1972-73 contains this brief paragraph on the Assam Rifles: "The Assam Rifles is a para-military force under the Ministry of Home Affairs. The Ministry exercises control through the Governor of Assam, Nagaland, Meghalaya, Manipur and Tripura. The Force is headed by the Inspector General of Assam Rifles with headquarters at Shillong. The present strength of the Force is 21 battalions and they are assisting in the maintenance of law and order in the north-eastern region."

Manipur, Meghalaya, Nagaland and Tripura and Arunachal Pradesh and Mizoram are on paper states of the union and union territories, just like all the rest. With one vital difference,

however: the people of the rest of the country are expected to behave themselves with the help of only the local police in normal times, whereas the people of these areas are assumed to require the constant presence of large paramilitary forces, deployed and directly controlled by New Delhi to keep them on the straight and narrow path. It takes a rare newspaper report to make the people of the rest of the country aware of this. But for the Mizos and the Nagas and the rest of the people concerned, it is a fact of life they have lived with always.

Joint Sector

In Lieu of Public Sector?

Our Delhi Correspondent writes:

THE joint sector idea appears to have been at least approved by the Union Cabinet at last. However, while endorsing the idea and giving the Industrial Development Ministry the green signal to go ahead with its promotion, the Cabinet appears to have very sharply restricted the scope of the joint sector. Established private sector enterprises, including those belonging to the large business houses, have been specifically excluded from the ambit of the joint sector. Only new enterprises in certain specified fields are to be brought within the joint sector. The industries in view for the joint sector appear to be cement, paper, soda ash, caustic soda and a few others in which shortages have developed and in which sizeable investments are called for.

This seems to suggest by implication that it is no longer proposed to rely on the public sector for expansion of investment and output in these vital areas. Cement is a case in point. Plans of expanding cement production substantially via the public sector Cement Corporation of India appear to have been quietly dropped. Instead, the expansion is now proposed to be achieved through the joint sector.

The justification for the joint sector, as propounded by the Industrial Development Minister, is that the government, directly or through the public financial institutions, has already widespread financial participation in the private sector. The joint sector arrangement would enable the government to acquire participation in management of these enterprises commensurate with its investment in them and, to that extent, erode the wholly private character of these enterprises. According to Subramaniam, these units are anyhow not

run by the owners themselves but by managers hired by the owners. The joint sector will ensure that these managers do not serve only the interests of the private owners, as is the case at present, but also wider economic and social interests.

Taken against this argument, how can the exclusion of existing private sector enterprises from the scope of the joint sector make sense? Subramaniam's explanation is that the government does not want to tinker with the managements of running businesses since it does not have enough administrative and managerial resources to do so. But this argument runs counter to the very justification for promoting the joint sector. If the professional managements now running the private sector companies with large public sector investments are neutral and if, as has been claimed, the owners are no longer performing the management function in these enterprises, the extension of the joint sector to existing private sector units will involve nothing more than making the existing professional managements in these units responsible to the government, in addition to the private owners.

Confronted with this argument, Subramaniam had to plead that it was just that the government was willing to go only upto a point with the implementation of the joint sector scheme. The problem of the larger houses and the conglomerates would have to be dealt with separately and it would be sometime before anything could be done about this problem.

All this supports the criticism that, contrary to its public postures, it was never the government's intention to use joint sector to extend public sector control to areas currently completely under the control of the private sector, including the large business houses. Instead, the major function of the joint sector will be to secure the participation of the private sector in enterprises and activities which the public sector should have promoted on its own.

Yarn Distribution

Ineffective Control

THE government has decided to control yarn distribution, ostensibly to protect powerloom and handloom weavers from the depredations of traders and speculators. However, there are enough indications already that achievement in this regard is likely to fall far short of ex-

pectations. So far neither has the rise in yarn price been arrested nor have handloom and powerloom weavers got the promised yarn. Speculators continue to go scotfree and about 79 lakh weavers in the so-called 'decentralised' sector of the textile industry are threatened with imminent closure of looms.

The government's objective is redressal of short-term difficulties caused by the sharp fall in yarn production due to the extensive power cut particularly to the southern mills, rather than solution to the fundamental problem which is that the handloom and powerloom weavers are at the mercy of the mill-owners and yarn traders. The mechanism by which the government is seeking to achieve its limited objective is differential pricing of yarn of different counts and the fixing of a production pattern to suit the needs of weavers. For yarn of 59 counts and below the price taken is that of December 1972. However, between January and December last year, yarn producers had already managed to push up prices considerably even though cotton prices — particularly prices of indigenous varieties like Kalyan which go into the production of low count yarn — had declined quite sharply. By fixing the price of yarn of 60 counts at the August 1972 level, again, the government has similarly closed its eyes to the almost 35 per cent increase in prices which had already been effected by yarn producers and traders.

These blemishes of the scheme of control apart, the machinery for enforcing the scheme and for controlling the production and distribution of yarn is distinctly rusty. To prevent the mills from cornering available supplies of yarn, the government has stipulated that yarn producers must produce at least 60 per cent of yarn in hanks for use by handlooms. There is no mention of yarn in beams for use by the powerlooms. Nothing, again, is said about what the government proposes to do if the yarn mills fail to comply with the stipulated production scheme. In this connection, doubts have been cast even on the official estimates of production on which the entire scheme is based. There are undoubtedly very strong incentives to understate production and the opportunities for doing so are also considerable, especially where producers have been able to boost production through installation of captive generators. On the whole, therefore, the control scheme notwithstanding, there appears to be enough yarn left with the traders for carrying on brisk and highly profitable speculation.

RMMS

Part of Larger Scheme

Our Maharashtra Correspondent writes:

CLOSE on the heels of the debacle in the Bombay Municipal Corporation elections a second blow has been struck at Rajni Patel's leadership of the Bombay Pradesh Congress Committee. The Rashtriya Mill Mazdoor Sangh, the recognised trade union of Bombay's cotton textile workers, split in two last week and one of the factions has formed a rival union called the Bombay Mill Mazdoor Sangh. It will be recalled that Rajni Patel had wrested control of the RMMS last year from Vasantrao Dada Patil, prominent Maharashtra Pradesh Congress leader and Minister for Irrigation and Power in the V P Naik Cabinet, who had been president of the organisation for four years.

Trouble had been brewing in the RMMS ever since Vasantrao Patil's displacement. Patil had threatened to resign from the state cabinet in protest against his ouster, but had been persuaded by Chief Minister Naik and other MPCC leaders not to make a public issue of the matter. In January a no-confidence motion had been brought against the general-secretary of the RMMS, V R Hoshing, a nominee of Rajni Patel. The move was made by D S Salvi and other close associates of Vasantrao Patil. The no-confidence motion was, however, defeated in the 1,000-member general body of the RMMS by about 140 votes.

The BPCC's disastrous performance in the Corporation elections and the simmering dissatisfaction in the party with Rajni Patel's leadership evidently emboldened the Vasantrao faction in the RMMS to come out into the open. It is, of course, well known that the Maharashtra government and MPCC leadership were far from unhappy with the Corporation election results to which they contributed in some measure, directly and indirectly. Significantly, the Bombay Pradesh Congress's performance was particularly poor in Girangaon, the mill labour locality in Central Bombay, where it lost a number of seats to Shiv Sena. In the elections to the Maharashtra Assembly in March 1972, the same area had returned a number of Congress labour leaders, including the RMMS general-secretary, Hoshing, and Bhai Phosale, another prominent leader of the Rajni Patel faction in the RMMS. The results of the Corporation elections thus seriously damaged the Rajni Patel group's claim to leadership of the city's industrial labour.

That Vasantrao Patil is behind the

split in the RMMS and the formation of the rival BMMS is evident enough. The president of the BMMS is Vasantrao Phalke, Congressman from Satara district and a brother-in-law of Vasantrao Patil. The formal ceremony marking the formation of the BMMS was held in the premises of Indira Co-operative Bank (named after the Prime Minister) which is controlled by Shalini Patil, Vasantrao's wife. D S Salvi has claimed that the BMMS will get the support of at least 30,000 workers in 30 textile mills in Greater Bombay.

While immediately it may be expected to launch a few wild-cat strikes to draw attention to itself, it is not clear yet what the BMMS's strategy for gaining support among workers will be. It may be taken for granted that the BMMS will have the tacit backing of the state government. In this context it is significant that the Shiv Sena has come out in support of the BMMS and has asked workers owing loyalty to it to join the new organisation. And knowing where the sympathies of the state government lie, industrialists and millowners who have all along supported the RMMS

against the communist-controlled Girmi Kamgar Union, are likely to take particular care not to fall foul of the BMMS. Once they are convinced about Rajni Patel's political decline, they will not hesitate to openly switch support from the RMMS to BMMS.

The split in the RMMS is thus very much a part of larger political developments. The straightforward objective is to rid the BPCC of Rajni Patel and his group. A somewhat less direct objective may be to bring home to the Prime Minister that the attempt to impose a leadership on the BPCC unacceptable to the MPCC will not work. Some significance must surely be attached to the willingness of a prominent MPCC leader like Vasantrao Patil to openly oppose someone hand-picked by the Prime Minister like Rajni Patel. The temptation is also strong to see all this in the context of the incipient trends in Congress politics in other parts of the country. In quite a few states leaders known to enjoy the personal confidence of the Prime Minister have been eliminated or seriously weakened. Events in Bombay city seem to be moving in the same direction.

Calcutta Diary

A M

TO each his own Pablo Picasso. For some, the excruciatingly enchanting Blue Period; for some others, perhaps the innumerable Cubist scaffoldings. There are many others for whom meaningfulness will be represented by the days when Picasso was still a Fauve. Or would you rather vote for the slightly eccentric, enormously rich Pablo, installed in France's Cote d'Or, the restless dilettante with the twinkle in his eye, shuffling about from pottery to sketches to sculptures?

For yet others, Picasso was *Guernica*. *Guernica* was Picasso: the artist who knew that there was no art without life, that art was a transcription of one's experience, that art was war, and that the artist was the activist. *Guernica* was, and remains, primal emotion, the ringing protest against the depredations of men against other human beings; but it was, and is, also the assertion of life; it was, and remains, a magnificent blend of indignation and empathy, despair and hope, hatred and love.

Resistance collapsed in Spain, the combatants — those amongst them not left behind, dead and often unburied, in the battlefield — dispersed. But the passion lingered. Spain could not be saved, but there were other causes. Fascism had to be fought in other

lands, in Europe as much as elsewhere. Inevitably, despite Spain, death came to fascism almost in every other country. The Soviet Union came through. Picasso was furiously at work. Even as the Second World War ended, there was however a re-gathering of reaction. Winston Churchill did not wait for long to deliver his Fulton speech, Bertolt Brecht was hounded out of Hollywood, the House Anti-American Activities strode on the scene, and could Joe McCarthy be far behind? The Rosenberg couple went to their heroic death, there was the unleashing of General McArthur in Korea, the Ho Chi Minh trail came alive. Soon, Dien Bien Phu was round the corner. Pablo Picasso was still engaged, the doves of peace began to flutter all over, in the motifs of your dreams, even in the handkerchief of your betrothed: the days continued to be the days of faith, dedication, enchantment.

Very few were aware that it was already late. The Twentieth Congress was a great saboteur; idealism never quite recovered from the shock administered by it. Even were one to bypass the urge to analyse what caused it all, the consequences of Nikita Khrushchev are there for all to see. *Guernica*,

the doves of peace, Picasso, each was a symbol of the international brotherhood of toiling peoples, of a *camaraderie* of fighting idealists. The Twentieth Congress liquidated that *camaraderie*. It was the death-knell of great universal causes. From then on, John Osborne's hero could only look back in anger.

Old age brings oblivion because of natural reasons. But the fact that there was so little occasion in recent years to return to the theme of *Guernica*, or to mention its creator, is part of a greater malaise. In a world given to sectarian self-seeking, idealists are an embarrassment. Picasso became an embarrassment to a large number of his past patrons. Art was being supplanted by craft: the erstwhile idealists were being taught, assiduously, the blessings of deviation. The Red Flag and the *Internationale* were reduced to rituals: Pablo Picasso became an irrelevance. A man with a tremendous reservoir of Gallic wit, he tucked himself in. Of late, one used to hear so little about him.

Yet, did this withdrawal from the limelight really matter? A destitute Calcutta slum-boy, or a rack-rented Adivasi farmer in a remote Purulia village, never heard of Picasso. Nor was Picasso ever conceivably aware of the specific conditions of their living. But he was a shrewd operator: exploitation, he had no difficulty in recognising, has a quality of ubiquitousness: you run across time and space, the form of exploitation changes, its content hardly ever. It may seem altogether far-fetched to suggest that the problems and sufferings of a black American in a New Orleans ghetto, of a Mexican cotton picker in the vast open tracts next to Ciudad Obregon, of a political activist languishing in a West Bengal prison, or of a Vietnamese child whose human form the American napalm has despoiled beyond recognition, are bound by a common thread of narration. It is however largely a question of faith — and empathy. An international movement is born the moment several distantly-flung people come to claim a common heritage, and to declare a community of goals. Faith, after all, is the end-product of ascription. We ascribe, therefore we create.

This is precisely what Pablo Picasso the activist did. By a single piece of *Guernica*, by his exuberant scattering of the doves of peace, he created, on his own, a common fury, a common idealism, a common fire of indignation, a common tension. He did not conform, he refused to define himself in terms of pre-ordained formulae. This fact

notwithstanding, none could ignore the fierce activism of his art. Since the grammarians could not lick him, they joined him; perhaps that was their strategy to make him join them. He did join, but only in his kind of way. Picasso could not, for example, ever be persuaded to sign a testament running down Mao Tse-tung.

What the quaint little man has left behind will continue to be the subject of wild disputations. The many women in his life will fight over the earthly spoils; MGM will, for all one knows, soon launch on a full-length cinematographic biography; almost for certain, the Communist Party of France will air its proprietary rights over him, and the battle will no doubt be taken up by the far-out radicals; Jean-Paul Sartre and Simone de Beauvoir will feel impelled to join in the fray; mountainloads of polemics will pile up along the Left Bank. The unemployed artisan in Howrah, and the destitute day labourer in Bankura, will have never heard of him: they will be no part of his direct legacy, the quality of their daily travails will remain what it has been. Irrespective of whether the Union Government takes over the collieries given to slaughter-mining, the miners, crammed in hellish hovels, will continue to live, and die, like expendable beasts. At the dead of night, the landlord's men, in the company of the constabulary lent by the officer-in-charge of the local police station, will swoop on the decrepit hut of the share-cropper and take away the grain by force. The assassin's knife will

suddenly herald the end of the throbbing idealism of a young college teacher, who, in his folly, considered it to be a part of his birthright to read, and in turn let others read, the literature of the Revolution. Organised trade union activity will remain the subject of venomous attack on the part of those in authority; every now and then, confrontations will continue to take place between the struggling workers and the forces of law and order, who, it can be taken for granted, would invariably respond to the whims of the capitalist owners. Prices will soar, the profiteers will make their pile, but in case you want to raise your voice in protest, you will be put out of harm's way.

This is a world altogether remote from the tranquil fishing village where Picasso had ensconced himself for the past two and a half decades: there were few occasions for him to return, overtly, to the theme of international *camaraderie*; rich American dowagers would drop in; fat commissions for sculptures would arrive from here and there. But the heritage of *Guernica* is the heritage of *Guernica*. It cannot be disowned. Even if it be in one's subconsciousness, the doves of peace will keep fluttering. Whether he is at all aware of it or not, the Calcutta student, who chucks a bright academic career to disappear behind the bars in order that the country's 'security' may remain unimpaired, is thus carrying in himself a bit of Picasso. The flame of *Guernica* will burn. We are all *Guernica's* children.

LETTER TO EDITOR

Nationalisation of Sugar Industry

B D DHAWAN's reply (March 3) to our letter on his article "Nationalisation of the Sugar Industry: Economic Perspective" has provided us yet another opportunity to clarify some of his misgivings.

We are glad that Dhawan has conceded that a nationalised set-up would not make any difference to the operation of a buffer stock policy. Similar is the case with regard to development of bagasse based paper industry in India. Dhawan has agreed that he did not intend to apportion the blame for lack of progress in this behalf to the sugar industry. It is, therefore, not necessary for us to labour further on these aspects.

However, with regard to cane development work, Dhawan continues to labour under a serious misunderstanding. We had explained that the cane development work in the north Indian states was already in the nationalised sector. Unfortunately, this simple fact has been misconstrued by Dhawan to mean that the industry was opposed to the allocation of cane purchase tax collections to the government agencies for cane development work. In other words, our aforesaid reference has been interpreted by Dhawan in a very narrow and restricted sense as referring to only disbursement of purchase tax collections to government agencies. But that was not what we had endeavoured to ex-

plain. On the contrary, our reference covers the cane development work in its entirety including its physical handling. So long as the government agencies continue with this work, it is natural that the disbursement of funds has to be through those agencies and industry can have no objection to it. Our objection is to their very handling of cane development work. The industry's offer to take over the responsibility of cane development work refers to such physical handling of cane development work and not to mere disbursement of purchase tax collections as seems to be Dhawan's understanding.

In all the north India sugar producing states, cane development work has been entrusted to the agencies created by the state governments or their own Departments. Sugar factories do not have any effective say in the matter. Under the State Cane Laws, factories are required to draw supplies of cane through the agencies of the Cane Co-operative Societies and thus do not have a direct relationship with the growers. Furthermore, under the State Cane laws, factories are unable to advance money to the cane growers for promotion of cane cultivation. Also, with an intermediary agency they are not in a position to realise such loans under the State Cane laws which prohibit any deductions, from cane price dues to the growers. Here it will also be pertinent to quote rule 47 of the UP Sugarcane (Regulation of Supply and Purchase) Rules 1954:

"The occupier of a factory or a purchasing agent shall not make any deduction from the amount due for cane sold to him by a cane grower or Cane growers' Co-operative Society.

"Provided that recovery of the dues of a Cane growers' Co-operative Society may be made by deduction from the price payable for cane."

Under such conditions it will be appreciated, there is really precious little that the sugar factories can do in the matter of cane development in the north Indian states. We hope the foregoing would further clarify the position.

We had also pointed out that the state governments who collect substantial amounts by way of purchase tax on cane actually spend very little for cane development work. This again has been misconstrued by Dhawan to suggest that the industry only wanted to take charge of the purchase tax collections for directing cane development work. This is not true and only reflects lack of proper understanding of the situation. The facts are otherwise. Factories, if given the opportunity and responsibility of cane development work,

would be able to organise the flow of inputs on a massive scale as is being done by their counterparts in the south and in Maharashtra. It is common knowledge that an average size factory in the south and in Maharashtra where they directly participate in cane development work, is able to import inputs annually to the tune of Rs 60 to 70 lakhs against the insignificant amounts spent by the government agencies in the factory areas of the north. Therefore, the industry's offer to take the responsibility of cane development work should not in any way be misconstrued as representing a desire to take charge of the cane purchase tax collections. It reflects their sincere desire to saturate the factory areas with required inputs by import of inputs on their credit. It is our belief that unless this is done, the cane development work in the north would continue to suffer.

In this context, Dhawan has reiterated that there exists a conflict of interest between the sugar industry and the cane growers in that while the former would be interested in improving the sucrose content in cane, the latter in higher yields per acre. Dhawan observes that "sugar mill owners would not strive to expand the resources in order to raise cane yields in their factory command areas", but has conveniently ignored the facts given in our earlier comment.

As we had clarified, sugar factories do not retain with themselves the advantage of lower cane costs following higher sugar recoveries which is passed on entirely to the cane growers under the New Pricing Formula for sugarcane. The savings effected in the manufacturing cost are passed on to the consumers as the controlled price is determined taking into account the sugar recovery percentages and the duration of the season. While this is so, many sugar factories particularly in the northern region had in recent years to rest content with considerably shorter working seasons due to paucity of cane. Obviously, to improve their working, factories are anxious to ensure larger and concentrated supplies of sugarcane from within their command areas which may be possible only by improvement in per acre yields.

Since sugarcane is a highly perishable commodity and cannot be transported over long distances, when we say adequate cane supplies, we hope it is clear that such supplies have to be obtained from within economic distances and limited areas where factories operate. Obviously, the only way to achieve this would be to increase the per acre yields, which, besides ensuring

adequate supplies, would also result in supply of fresh cane due to shorter haulage time and consequently minimum incidence of diage. That being so, we are indeed surprised at Dhawan's conclusion that sugar factories have no interest in raising the per acre yield in their areas.

The cane development work in the north Indian states is not directed by the factories but in the southern part and in Maharashtra where the factories are able to effectively associate themselves in the matter, their endeavour has been to improve both quality of cane as well as per acre yield. For, good quality cane as well as adequate supplies thereof are equally important for sugar factories; one cannot replace another. Therefore, it is also incorrect for Dhawan to say that in the southern part, factories have only encouraged cultivators to grow such cane varieties as would prolong their duration of crushing and have refrained from taking measures to enhance per acre yields. While it is true that appropriate varieties do play a very important role in extending the crushing season of the factories, the importance of raising per acre yield cannot also be overlooked, especially when factories have to obtain supplies from limited areas where they operate. It would therefore be incorrect and unjust to say that this aspect of development has been neglected by sugar factories in the south.

Dhawan has also referred to the trends of development in Maharashtra and in south being slow. There are reasons for that. Since 1964-65 sugar factory farms have been taken over by the state governments and are being run now under the management of the Maharashtra State Farming Corporation. Since the take-over of these farms, the yields and the quality of cane have been deteriorating and this is bound to get reflected in the trend. In the south also with the licensing of a large number of new units year after year newer areas are being brought under cane cultivation and their results tend to dilute the achievements in the older factories areas. Thus based on the trend of development it will not be possible to form any accurate assessment of the work that is being done by the sugar factories on cane development in these states. It will not be also out of place to mention here that nationalisation of sugar factory farms in Maharashtra has also given us some lessons to learn.

We hope the foregoing will clarify all the points mentioned by Dhawan.

J S MEHTA

Indian Sugar Mills Association,
New Delhi

Detentism to the Fore

Romesh Thapar

OUR attention has been hopping from Dacca to Gangtok and from Gangtok to Dacca. In between, we have been taking hurried peeps at Rawalpindi where the air is thick with talk of coups and conspiracies. It doesn't need emphasising that all these many facets of a developing situation around us are actually part of a single situation — the slow and complex *detente* on a sprawling sub-continent.

If Dacca has to take another look at the whole question of the future of the prisoners-of-war, and the trial of leading elements for war crimes, Rawalpindi cannot continue to play double-cross on the recognition of Bangladesh without damaging its own interests and political future. As for Gangtok, long a playground for all manner of adventures, it becomes, in a sense, one of the septic foci of a sub-continent. What fascinates is the way in which events on the sub-continent occur as if part of a single scenario.

We have all been dragging our feet on the question of a *detente* on the sub-continent. The tendency to put the blame for the stalemate on this or that issue or person is to refuse to face facts. Traumatic collisions, deep suspicions, complex internal and external manipulations cannot be overcome by occasional meetings of officials or leaders. Continuous dialogues have to be attempted if a genuine *detente* is to become an integral part of the strategy of development in the sub-continent. A prejudice removed, a movement of thought here, a long-overdue correction there, a thrust forward at a point, rigidity elsewhere — of such a mix is a *detentist* policy made.

Maybe the lesson has gone home, or is beginning to make an impact. A tight-lipped Haksar is the best of emissaries. What a relief from the talkative ones! Quiet work is also on in Sikkim where the naive Chogyal imagined that the people would support, or let pass, all his strange doings. Events in Sikkim will prepare the way for many corrections and have a salutary effect on the Himalayan Kingdoms. One of the impressive sidelights to the situation is the efficiency with which the emergency in Sikkim has been tackled. We are certainly growing up.

If the complexities of the Pakistani

situation are dealt with in the spirit of a continuous dialogue — and major break-throughs are certainly possible on the issue of Bangladesh and the POWs — we will then be in a better mood to conduct our normalising diplomacy with China, now silent along the frontier and making sweet noises elsewhere.

Why the obsession with a *detente* in the sub-continent? Because there cannot be any creative unfolding of our role in international affairs so long as crises and alarms at home detract us and give opportunity to our enemies to embarrass us. We have yet to formulate a meaningful role for ourselves in South Asia and the Indian Ocean; indeed, the countries of the region are disturbed that we have remained distant and aloof. We have also to begin the business of formulating relevant tasks for the non-aligned in the new international situation; to repeat the old *mantrams* is to make ourselves ineffective and to expose our friends to the dangers of all kinds of demoralisation and defection.

LAZY FOREIGN OFFICE

Our Foreign Office is lazy, indeed very much like similar establishments elsewhere. There is a reluctance to research new situations for fear that carefully built-up sinecures will be threatened. There is a passion, typical of under-development, to unearth diplomatic plots and conspiracies to preserve the myth of grassroots work. There is determination to somehow divorce the problems of diplomacy from the urgent battles conducted by other ministerial teams in hundreds of different international areas. And, there is an overwhelming conviction that all policy is settled in the Capital, that the reports of men in the field are of little consequence. Add to all this the rather special history of our Foreign Office, and how it was never called upon to do co-ordinated perspective thinking, and then you know the truth we have to live with.

To get this Foreign Office into concerted action without a drastic reorganisation is to expect what is tantamount to the impossible. We can only rely so far on pressures from political leadership and from opinion formers within the Establishment and outside to push our diplomacy in the direction of a

detentist policy. Fortunately, the Foreign Minister has sense and works broadly in the same direction. But as the *detente* crystallises, it will need very professional handling from the Foreign Office system itself. Here, there is weakness, serious weakness of all kinds. Now is the time to re-fashion the service — as qualitatively different challenges present themselves and we move to meet them.

This needs saying, because the handling of our interests in other parts of the world leaves, to use the old cliché, much to be desired. For example, our relations with the super powers have to be conducted at a very much more hard-headed level, without the intrusion of sentiment and emotion. So far we have allowed ourselves to be carried by newspaper headlines; this is worthy of an island in the sea, not a continental power. Similarly, our handling of the Iran-Iraq equations are simplistic, to say the least — and, what's more, dictated by a rather superficial analysis of present-day alignments, if they can be so-called. As for our postures on the Arab and African world, the less said the better. We seem to be repeating ourselves *ad nauseum*; indeed, to such an extent, that now nobody bothers to record the reactions of the Government of India.

When will we realise that it is possible to take significant initiatives without abandoning "time-bound" (*sic*!) positions? Perhaps, if we want to make friends and influence people, we will first have to shake-up the Foreign Office — with a tiny cultural revolution!

The climate at this moment of writing is certainly *detentist* wherever one turns. The forums within the Congress Party are dying the kind of death that Indira Gandhi decrees with great skill. The Aligarh University events have proved once again that Muslim obscurantism needs to be handled with much keener subtlety than the Education Ministry was able to muster, and apparently the last word has not been spoken. Uttar Pradesh Congressmen, with an eye on the coming elections, are looking for leadership, and this may spark many reorganisations — even within the Council of Ministers at the Centre.

But, in between such speculation, the power hierarchy follows with close attention the progress of the takeover of the grain trade. Much hangs on this step.

April 8

Free Depreciation as a Replacement of Development Rebate

A Note

Sudhir J Mulji

BROADLY SPEAKING investment through the corporate private sector will take place in the economy if two states of affairs exist. First there need to be a sufficient number of profitable investment opportunities and, secondly, firms should have access to or be able to generate enough resources in order to undertake fresh investment. Development rebate assisted in creating both states of affairs; it improved the opportunities for investment by reducing the capital cost on plant and machinery and thereby raised the rate of return on capital, and it ensured that the necessary resources were generated in the early years when they were most needed, namely, at the time of undertaking the investment.

Although the Finance Minister was not unaware of its advantages he has decided to withdraw this incentive to investment as it had proved too expensive to government revenues; the cost to the exchequer arose by virtue of the fact that for every Rs 100 of investment the company was allowed to depreciate upto Rs 120, or in the case of certain types of assets, upto Rs 140 with a consequent loss to the government on the additional tax allow-

ance over and above Rs 100. In suggesting any new fiscal concession replacing development rebate one has therefore to keep two points in view, (a) the tax benefit should act as a stimulant to investment, and (b) its effect in the long run at least should not be such as to deplete government revenues.

On this basis one useful investment concession could be an acceleration in the depreciation schedule; quite simply an acceleration of depreciation implies that you are allowed to write off for tax purposes at a rate faster than the economic life of the asset would justify. Thus, for example, suppose a plant has a life of ten years and would in the normal course be written off at 10 per cent per annum, under an accelerated schedule the company would be allowed to write it off in say five or even less number of years. The ultimate concession in this direction is free depreciation; this amounts to permitting any company to depreciate as much of their assets (upto a maximum of 100 per cent) in any year it chooses to, including the very first year if profits are sufficient to justify claiming such an allowance.

The main advantage of permitting free depreciation to companies is that it

enables them to generate internal resources for investment; essentially the liability to tax gets deferred until the company has recouped enough to cover the cost of initial investment. In turn this enables companies to retain funds which they can either use for further reinvestment or alternatively if such reinvestment possibilities are not available or profitable, they can lend sums in the market to finance the investment of other companies. Accelerated depreciation has been described as amounting to an interest free loan from the exchequer to the firm for a period from the time when the depreciation is written off to the time when it would have been written off in the normal course.

The merit of the scheme is however that although it is an interest free credit from the government to the firm, it leads to no loss of revenue to the government. On the contrary if a reasonable view of the matter is taken it can be shown to lead to a substantial improvement in government revenues over a period of time. This point has been illustrated by a simple numerical example in the Table.

In the Table it is assumed that machinery is of the value of Rs 1 lakh and that it earns a gross revenue before tax and depreciation of Rs 50,000; two situations are contrasted; first the effect on tax revenue is calculated on normal depreciation basis over five years (the life of the machine) and then the calculation is done on free depreciation basis. It is further assumed that all accumulated depreciation is loaned out by the firm to the market where it will

TABLE

Schedule on the Basis of Normal Depreciation						
	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Machinery value Rs 100,000; Accumulated depreciation	—	20000	40000	60000	80000	100000
Income from accumulated depreciation at 10 per cent	—	2000	4000	6000	8000	
Profits before depreciation	50000	52000	54000	56000	58000	
Depreciation	—20000	—20000	—20000	—20000	—20000	
Profits after depreciation	30000	32000	34000	36000	38000	
Tax at 50 per cent	15000	16000	17000	18000	19000	85000
Discounted at 10 per cent present value of tax	15000	14545	14050	13524	12977	70096

Schedule on the Basis of Free Depreciation				
	Year 1	Year 2	Year 3	Year 4
Machinery value Rs 100,000; Accumulated depreciation	—	50000	100000	100000
Income from accumulated depreciation at 10 per cent	—	5000	10000	10000
Profits before depreciation	50000	53000	60000	60000
Depreciation	—50000	—50000	nil	nil
Profits after depreciation	nil	5000	60000	60000
Tax at 50 per cent	nil	2500	30000	30000
Discounted at 10 per cent present value of tax	nil	2273	24794	22539

earn a rate of interest of 10 per cent per annum. On these assumptions if the normal depreciation schedule is applied the total government tax revenue in a period of five years is Rs 85,000 (provided the tax rate is 50 per cent) and the discounted value of the sum comes to Rs 70,096. On the basis of free depreciation although the government collects no tax revenue in the first year and very little tax revenue in the second year the total revenue it collects over the life of the machine is Rs 92,500 and discounted at 10 per cent it collects exactly the same amount as under the first schedule.

The implication of using the same rate of discount on government revenue as market rate on loans is that provided the government can borrow at the rate of interest that the depreciation fund can earn in the market it incurs no loss of revenue over the life of the machine. If on the other hand the firm can earn on its depreciation funds a higher rate of return than the government's borrowing rate (and this is indeed very likely) the exchequer will actually gain quite substantially depending on the marginal rate of its borrowings and the marginal rate of investment in the economy. In this note I have presented the figures in the simplest possible case but in fact the general argument will carry through even if the case is complicated quite considerably.

It will be of some interest to note the reasons why this result occurs; the essential feature of the free depreciation scheme is that in order to make full use of it, the entrepreneur of the firm has to sacrifice present consumption for the sake of savings; the higher the depreciation he claims the more he has to forgo by way of dividend. This in turn generates additional income in the future years which raises both government revenue in future years plus the amounts available for distribution and consumption. Since the approach paper to the Fifth Plan envisages a similar strategy for development (namely, the curbing of current consumption for future consumption) the granting of free depreciation should meet with government approval without too much difficulty.

Free depreciation is likely to provide a stimulus to profitable investment: in the example that has been given, it would clearly pay the firm to reinvest its depreciation fund in more machines, since its rate of return from the machine is 30 per cent whilst the market rate is only 10 per cent. In its reinvestment it will be partly financed by a further deferment of tax and this pro-

cess can logically go on until the rate of return on investment falls below the market rate. At that point reinvestment no longer pays and the company will start paying both taxes and dividends. In other words free depreciation should assist in improving the quality of investment, as the maximum gain will be to those companies with the most profitable asset base.

Another advantage of the scheme is that it is easily reversible; suppose for example the government announced, to start with, that all fresh investment would be entitled to free depreciation for the next three years; this would stimulate investment now without deferring government revenues for too long a period. (Meanwhile, the government would have to finance its programmes by internal borrowing.) If at the end of three years the government wanted to extend the scheme it could continue to do so, otherwise it could revert back to normal depreciation and start collecting a larger share of the revenue.

Finally the scheme of free depreciation or accelerated depreciation is

particularly useful to small entrepreneurs with highly profitable industries; these entrepreneurs normally are not able to finance rapid expansion owing to the imperfections of the capital market and their incapacity to borrow from institutions like banks and industrial finance corporations. On the other hand, small companies have to pay a substantial portion of their profits to the government by way of taxes at the formative stages of their development which prevents them from achieving any kind of take-off. However, under the scheme of free depreciation they would be able to generate substantial internal resources the utility of which is far higher to a smaller unit than to a larger one. Once again the Table illustrates the point; assume that the man is entirely dependent on his internal resources, and assume that he retains all his post-tax profits in his business in the normal depreciation case, he will still not be able to buy a second machine till the start of the fourth year; on the other hand in the free depreciation case he will be able to do it a year earlier, namely in the third year.

COMPANIES

Changing Structure — and Dividend

Hansavivek

ATLAS COPCO (INDIA), which brought Indian participation in its equity capital to 40 per cent by issuing, through a Prospectus, 3,21,340 equity shares of Rs 10 each at a premium of Rs 7.50 per share in May last, has slashed dividend from 30 per cent to 17.5 per cent, despite higher earnings in 1972. The first call on the public issue was Rs 5 per share on capital account and Rs 4 on premium account. The new shares allotted to the Indian public are entitled to dividend on a *pro rata* basis on the paid up amount from the date of allotment. Total distribution is thus only Rs 9 lakhs, against Rs 14 lakhs last year. The company's actual production last year was 310 numbers air compressors, 1,857 numbers rock drills, and 2,058 numbers other pneumatic equipments. The installed capacity is 720, 3,600 and 2,940 numbers, while the licensed capacity is 450, 720 and 300 numbers, respectively. The company has applied to government to issue a licence for 720 numbers air compressors to regularise present capacity. It has received manufacturing

licences for 3,600 numbers rock drills and 780 numbers pusher legs, subject to terms which are being discussed with government. For other items, the company's application for a regularised licence is pending with government. The number of employees with total emoluments of Rs 2,000 or more per month increased from 17 to 30 over the year.

KAMANI ENGINEERING has commenced work on three turnkey projects in Libya, Iran and Thailand, and is also actively negotiating for other large export orders. Last year, the company's export turnover was Rs 739 lakhs, against Rs 617 lakhs in the preceding year. At home, the company has recently completed the railway electrification project from Ahmedabad to Baroda — spanning a distance of 300 km. Erection of the rolling mill has also been completed and initial production commenced. Output of road rollers is being stepped up to meet the growing demand. As at the end of February last, the company had on hand orders worth

about Rs 20 crores. The order book position is expected to further improve in view of the priority accorded to power development in the current financial year and the forthcoming five-year Plan. The company has obtained the consent of the Controller of Capital Issues for issue of additional share capital and debentures. In December 1972, KEC made a rights issue of equity shares of the value of Rs 41 lakhs. Steps are being taken to issue preference shares of about Rs 9 lakhs and debentures of Rs 75 lakhs to UTI, IDBI and ICICI. The company has produced good results for 1971-72, with higher sales and earnings. Dividend is stepped up two points to 12 per cent.

SYLVANIA AND LAXMAN, which was established in 1962 and now ranks among the leading producers of fluorescent tubes, GLS and other lamps and lighting products, has undertaken a large expansion programme. The company is installing additional manufacturing facilities for all types of lamps (including GLS, special auto, railway, operation theatre and projection lamps), glass shells and lamp components. Estimated to cost Rs 344 lakhs, the programme is proposed to be financed by issue of additional share capital (Rs 140 lakhs), foreign currency loan (Rs 102 lakhs), rupee loans (Rs 91 lakhs), and internal cash generation (Rs 10 lakhs). A rights issue of equity capital of Rs 40 lakhs has been already made, a public issue of Rs 40 lakhs in equity and Rs 20 lakhs in preference is being made now under a Prospectus, and further equity capital of Rs 40 lakhs will be raised later by way of a rights issue. The company expects to commence production of most of the licensed items before the year is out. According to the chairman and managing director, Laxman S Agarwal, on full implementation of the project, S and L's turnover should increase from Rs 3 crores in the year ended September 1972 to around Rs 9 crores by 1975-76. He also envisages substantial improvement in profits which should enable the company to step up dividend to 10 per cent for 1973-74 and to 15 per cent and 18 per cent for the subsequent two years. For 1971-72, the company paid at 8 per cent. The subscription list for the public issue will open on April 25 and close on May 7 or earlier, but not earlier than April 27.

PIRAMAL STEELS, engaged in the setting up of a steel ingot casting plant at Tarapur, about 100 km from Bombay, with an annual installed capacity

of 21,000 tonnes, is offering to the public for subscription at par 1,68,000 equity shares of Rs 10 each and 7,000 9.5 per cent redeemable cumulative preference shares of Rs 100 each. Besides, 1,12,000 equity shares have been reserved for allotment to promoters, directors and their friends. Total capital outlay for the project is estimated at Rs 102 lakhs. The balance of the finance is proposed to be raised by way of term loans from a nationalised bank (Rs 25 lakhs) and from SICOM (Rs 15 lakhs), and deferred payments under IDBI's scheme (Rs 25 lakhs). The company has placed an order for an electric arc furnace with a capacity of 10/12 tonnes per day and has engaged W S Atkins for complete consultancy and detailed engineering services for the project. The factory is expected to go into commercial production by September or October next. According to the chairman, the company should be in a position to pay a maiden dividend of 10 per cent at the end of the first year of commercial production. It is intended to step up capacity to 50,000 tonnes per annum and also to diversify

production. When permitted by government, the programme would be financed by internal each generation. The subscription list for the public issue will open on April 26 and close on May 5 or earlier, but not earlier than April 30.

SICA BREWERIES is setting up a modern brewery with a capacity of 65,000 hecto litres of beer per annum in the union territory of Pondicherry. The estimated capital outlay of Rs 140 lakhs is intended to be financed by share capital of Rs 65 lakhs (of which Rs 26 lakhs will be subscribed by promoters and their friends and Rs 39 lakhs will be offered to public) and long-term loans of Rs 75 lakhs from nationalised banks. A contract is being entered into with Vulcan-Laval for supply of plant and machinery and process knowhow. The company expects to introduce its products on the market by mid-1974. The public issue of capital is intended to be made in early July next. K R Srivatsa is chairman of the new company.

The Week's Companies

	(Rs in Lakhs)			
	Atlas Copco		Kamani Engg	
	Latest Year 31-12-72	Last Year 31-12-71	Latest Year 30-9-72	Last Year 30-9-71
Paid-up capital	64	48	112	112
Reserves	64	41	148	124
Borrowings	75	75	2424	1820
of which Term borrowings	—	—	81	76
Gross fixed assets	97	89	356	308
Net fixed assets	45	45	255	217
Investments	—	—	2	2
Current liabilities	98	91	548	430
Current assets	256	210	2953	2235
Stocks	102	91	716	626
Book debts	90	80	2152	1553
Net sales	545	480	1658	1499
Other income	19	16	323	289
Raw material costs	35	31	1031	1026
Wages	67	62	261	244
Interest	8	9	168	119
Gross profit(+)/loss(—)	101	88	74	66
Depreciation provision	8	8	18	16
Tax provision	68	57	—	—
Net profit(+)/loss(—)	25	23	56	50
Development rebate provision	1	—	6	8
Transfer to reserves	15	9	18	32
Dividend				
Amount	9	14	P 2	2
Rate (per cent)	17.50	30	E 10	8
Cover (times)	2.66	1.64	P 7&9.5	7&9.5
Ratios (per cent)			E 12	10
Gross profit/sales	18.53	18.33	2.80	5.00
Net profit/capital employed	12.31	14.02	4.46	4.40
Inventories/sales	18.71	18.96	2.09	2.43
Wages/sales	12.91	12.91	42.58	41.76
			15.74	16.27

FROM OUR CORRESPONDENTS

TAMIL NADU

The Politics of Power

WHEN the Tamil Nadu Electricity Board announced a 25 per cent power cut in October last, there was only a faint murmur of protest from the air-conditioned office rooms of First-line Beach — reflecting the nuisance of having to ring up or call on old contacts in the Secretariat, of having to manipulate at the local level the quotas and the metering. There was as yet no realisation of the coming catastrophe. The complacency of officialdom and industry was so great that soon the old boy network efficiently nullified the cut and energy consumption was back to the pre-cut level. A slightly precarious living for six months, industry thought, then with the break of the monsoon it will all be over. Which speaks volumes for the manner in which the Electricity Board and the government have handled the worst ever power crisis in Tamil Nadu that was staring them in the face as early as in July last year.

The 25 per cent cut became 40 per cent in December and then, calamity, 75 per cent in February. The cut applies to industrial consumers. Shops have to close by 7-30 p.m., domestic consumption is limited to 150 units per month and agricultural pumpsets are supplied power for five hours a day. The cuts, enforced strictly, have brought down the state's daily consumption from 22 million units (MUs) to 15 MUs. Even so, the total hydel resources in the state at the beginning of April were less than 100 MUs, or roughly 6 days' supply, not counting the thermal stations. The thermal units which should be able to supply more than the required 15 MUs by themselves if they worked to full capacity, now manage to meet only three-quarters of this demand, daily depleting the hydel resources to precarious levels, long before the expected rains. If the thermal plants do not increase their contribution, a more severe cut leading to the closure of several factories will become unavoidable. As against the normal demand of 1,300 MW, the Tamil Nadu grid is able to feed only 700 MW, out of an installed capacity of 2,144 MW, of which 1,244 MW is hydro-based.

How did the state get into this situation? Is the monsoon that failed in 1972, the only villain, as made out by government spokesmen? Even if it were, what can explain the criminal

inaction of the government from July to December, when the water resources were squandered away without restraint? Some observers claim that the government had turned down the Electricity Board's suggestion of an earlier and larger cut. Whatever be the truth, the Tamil Nadu government has much to answer for.

The failure of rains is only half the story; the other half is to be traced to the galloping increase in the connected load without regard to installed capacity and to the failure to utilise installed capacity to the maximum. While the central government issues industrial licences without proper co-ordination with power development, the State Electricity Board extends agricultural supply on its own, with only paper plans for power generation, over which in any case it has no control. The net result has been a steady increase in the load, outstripping the increase in generation capacity, with both the state and central governments fully aware of the facts, but frozen in their bureaucratic ways to even attempt a reversal of the tide.

In the short run, delayed execution of schemes, poor maintenance of equipment and the Neyveli muddle have been the major factors responsible for the power crisis. If only the Neyveli and Ennore thermal units had worked to capacity last year, a large part of the hydel resources could have been conserved. Of the three thermal stations in the state, Ennore has for long been supplying less than 50 per cent of its 230 MW capacity, mainly due to problems of obtaining enough sea water through tidal movements for the cooling system. Some project decisions taken on false notions of economy seem to be at the root of this problem. Now power generation at Ennore has temporarily improved to 200 MW, but it can be stabilised at this level only after the receipt of a dredger expected next month and after the problem of insufficient water has been solved permanently with an investment of Rs 1.5 crores in a sea water pumping system.

The Basin Bridge power station has an installed alternator capacity of 117.5 MW; the boilers, however, have a capacity of only 90 MW and the cooling system of only 70 MW. So much so, the benefit to the grid from

this power station has been of the order of only 50-60 MW at any time.

Ennore and Basin Bridge have both been affected also by shortage of coal. As against the 82,000 tonnes of coal promised to the state every month, January saw the delivery of only 25,000 tonnes and February of 41,000 tonnes. The stocks are at their lowest now; in fact, Ennore is currently living on a ration of 2,200 tonnes/day against the full requirement of 3,000 tonnes/day.

But the problems of these power stations really pale before the colossal Neyveli muddle. When this central corporation started mining operations in 1956, a power plant of 250 MW capacity, a fertiliser plant of 1,50,000 tonnes urea capacity and a briquetting plant of 3,27,000 tonnes capacity were built on site to make use of the total lignite output of 35 lakh tonnes per annum. The power plant capacity was increased to 400 MW in the third plan and 600 MW in the Fourth Plan. Consequently upon this, lignite raisings were supposed to go up to 45 lakh tonnes and 63 lakh tonnes, respectively, for the two stages. But this 'integrated' project was so unintegrated that though the full power plant capacity was established in 1970, lignite production is still limping at less than 40 lakh tonnes, thanks mainly to the appalling state of repair of the mining machinery.

The Neyveli Lignite Corporation had asked for an additional Rs 18 crores worth of excavating equipment to reach the 63 lakh tonnes target, but given its record of past maintenance management neither the Planning Commission nor the Finance Ministry took the NLC seriously. Sanction of this investment was held up while the Subramaniam Committee, appointed by the Finance Ministry, called for a full project report and techno-economic viability report for the 63 lakh tonnes projection target — all after the power plant capacity had already been installed. Now the view is that the investment of Rs 18 crores will only help to stabilise output at 45 lakh tonnes — enough for the generation of 400 MW of power.

In this merry-go-round between the Finance Ministry, the Planning Commission, the Ministry of Steel and Mines and the NLC, nobody seems to have really cared that a project employing 18,000 people, producing vitally needed fuel, fertiliser and power has been steadily going downhill with mounting losses and power generation down to one-quarter of the installed capacity. Last year power generation

stopped altogether for two months due to flooding of the mines. Flooding of the mines has now become an annual feature, thanks to the dubious decision taken to reduce groundwater evacuation from 50,000 gpm to 15,000 gpm. As a result of all this, Neyveli supplied to the Tamil Nadu grid 400 MUs less energy in 1972 compared to 1971. Neyveli's generation has now improved to 350 MW from the earlier 100 to 150 MW, but at the cost of crippling the output of briquets and fertiliser.

The hopeless state of maintenance of equipment and the poor technical decisions taken are said to be the result of lack of co-ordination between the top technical and administrative personnel of NLC. Anyone visiting Neyveli is struck by the low morale of its operating engineers. However, the central ministries must also bear a very heavy responsibility for the ills of Neyveli. A belated decision has been taken to seriously study the economics of a second mine cut, but it will take more than paper decisions to get Neyveli moving again.

Apart from the thermal units, the Kalpakkam Nuclear Project (400 MW) was scheduled to start operation in 1971-72. But due to delays in the execution of civil works, the completion date has been now put off to 1976-77. Kundah 5th stage (110 MW hydro), a spillover from the Third Plan, may not be completed even in the Fourth Plan. Ennore's 5th Unit (110 MW thermal) is running seriously behind schedule. Kodayar (100 MW Hydro) has commissioned, but has produced hardly any power due to defective civil works.

The enumeration of these major and minor lapses of omission and commission can go on, but the resulting chaos, loss of production, shortages and price rise have been anything but small. Large industrial undertakings have laid off 50 per cent of their labour force. Some units work only one or two days in a week. A total of 3,50,000 workers in the organised sector and lakhs of other workers have been badly hit. Thousands of workmen, unable to support their families on half wages, are leaving the cities for the villages in the hope that their relatives might shelter them for a while. Many have been made desperate enough to 'voluntarily' surrender their permanent jobs so as to get the compensation amount that would take them back to the faraway villages. It is difficult to estimate the loss of production, but the effect in some industries, like cement, has already begun to be felt.

Turning to agriculture, the 6 lakh

connected pumpsets are supposed to be supplied power 5 hours a day, but they are lucky if they get 2 to 3 hours. Added to this, the Electricity Board is not in a position to keep to any fixed schedule of power supply; so millions of farmers are forced to camp near their wells day and night — praying for, and cursing, the power that comes so fitfully. In some areas standing crops have been lost. Agricultural workers have been the worst hit, caught in the vice-grip of unemployment and soaring prices. Lakhs of small and medium farmers face certain ruin.

Shortages of gigantic proportions stalk the land. Diesel and kerosene have virtually disappeared. The demand for diesel is estimated to have shot up 60 to 100 per cent as a consequence of activation of diesel generation sets by industry. Diesel engines are now bargain buys at four times the normal price. Once again, in regard to a problem that could have been foreseen months ago, action is being taken only now. Despite assurances of adequate supply, one sees lorries queuing by the hundreds at petrol stations, leading to minor riots. The Madras and Cochin refineries have increased their diesel output, but this can only be done at the cost of kerosene — already in short supply.

In several villages kerosene is not available even at thrice the normal price. Kerosene lamps have doubled in price. Prices of rice, wheat, pulses, coarse grains and meat have gone up; edible oil has shot up by more than 25 per cent. Grain hulling and grinding charges have registered a 300 to 400 per cent rise. Cotton yarn, the very life blood of the handloom industry, has gone underground, throwing hundreds of thousands of weaving families on the streets. Where it is available,

INDO-BANGLADESH RELATIONS

Where Gratitude Stops

IT is going to be a long night's journey into the day. The fact that P N Haksar had to extend his stay in Dacca beyond the time stipulated earlier would indicate that the going there was hard. The discussions with the Bangladesh government are now supposed to be resumed soon in New Delhi. This too would imply that the battle has only been joined; the Bangladesh authorities, according to all accounts, would drive quite a bargain before agreeing to India's unilateral right to hand back the overwhelming majority of the Pakistani prisoners of war to President Bhutto. Even as it is, the plot was already sufficiently complicated. For domestic political rea-

sons, Zulfikar Ali Bhutto is currently in no position to recognise Bangladesh; and this is a confession which must have been duly conveyed to New Delhi. The strategy to let the Pakistani President to stew in his own juice is also unlikely to pay any dividends, since not even the Soviet Union would favour the prospect of a further splintering of Pakistan. Afghanistan's past enthusiasm toward the cause of Pakhtoonistan too has cooled off in recent years. If fishing in troubled waters is to be ruled out, Bhutto remains India's best bet, and he will be unable to defuse the for-the-present verbal confrontation with India unless he gets the prisoners of war back.

The gravity of the crisis has at last sunk in among the people. Industry is preparing itself to face a long spell of power cut, perhaps at a reduced level — and at the cost of labour as usual — even after July. It has laid off workmen out of proportion to the reduction in production. Many concessions, big and small, won by labour after many struggles have been taken away by the mere threat of closure. Captive power generation, using imported diesel generator sets, is being planned by several units, but with one apprehensive eye on uncertain availability of diesel. Agriculturists are trying to switch to diesel sets. Responsible trade unions are mobilising to fight for workers' right to a full wage.

It is the politicians of Tamil Nadu who have yet to rise to the occasion and view the problem in its total perspective. With the exception of CPI(M), the other opposition parties have seen the power cut only as a handy weapon to bring the Karunanidhi government to its knees. That the power cut symbolises the total bankruptcy of planning as practised by the central government; that K L Rao amuses more than he informs when he demands a doubling of the present generation capacity within six years; that the power famine has come to stay in all but two states of the Union are all uncomfortable truths, best hidden from the public gaze, for the political convenience of the Congress, the CPI, the ADMK and the Congress(O).

Moreover, if he does not get them back, the American administration would have reason to continue to be grumpy towards India. A grumpy United States administration, let it be admitted, is a phenomenon the Government of India is no longer in a position to cope with. Even were recourse taken to drawing down our quotas with the International Monetary Fund, we might be in need of even more foreign funds in the latter part of the season, in case for example the monsoon behaves erratically for a second successive year. The Finance Minister must have brought back some fairly pithy messages from Washington.

RITUALISTIC REASONS

In international relations, gratitude as a coin is hardly ever permanent legal tender. For ritualistic reasons, Sheikh Mujibur Rahman, would, for some more months, continue to mention, with gallons of feeling, the assistance, relief and succour accorded by this country to Bangladesh. But, just as Christ stopped at Eboli, gratitude too would, quite legitimately, stop short of any major concessions involving national interests. Bangladesh cannot therefore be blamed if it demands a price from both India and Pakistan for turning a Nelson eye to India deciding to release the prisoners of war. Formal recognition by Pakistan of the reality of Bangladesh may not *per se*, be worth much, but if it comes about, China would perhaps desist from wielding the veto in the United Nations whenever the question of admitting Bangladesh comes up again in that forum. There is also the problem of settling, once and for all, the liability

for the international loans contracted in the past by Pakistan ostensibly for projects located in erstwhile East Pakistan.

PACKAGE OF SETTLEMENTS

What P N Haksar was doing in Dacca was obviously to ascertain the feasibility constraints of a package of settlements, and the nature of the related mutual pay-offs. Such a package, once agreed to, would then have to be hawked to Islamabad. A single round would hardly do for sorting the different issues out; more cross-continental travels are therefore very much on the anvil.

What seems ironical is the emergence of a situation where the burden of responsibility for arriving at a settlement equally acceptable to all the parties concerned has suddenly devolved almost entirely on India. In the process, the world might lose track of the fact that the responsibility for starting the holocaust, which is at the root of it all, was Pakistan's. Of equal relevance is the conjecture that if Bangladesh, had not been insisting on the acceptance of certain minimum terms by Pakistan, India on her own would perhaps have been able to reach a deal with Islamabad at the time of the Simla Agreement itself. It can thus be forgiven in case, in not-so-quiet moments, groups of Indians genuinely start to work out a calculus of net gains accruing to the nation from its involvement in the affairs of Bangladesh beginning with April 1971. It is an ill wind which only brings runaway inflation and uncompensated international headache.

PAY COMMISSION

Disappointment for Most

THE Pay Commission's long-awaited report has already provoked sharp controversy. No group of government employees seems to be satisfied by the Commission's recommendations, with the exception perhaps of the IAS bureaucracy. The Commission has recommended significant improvements in the emoluments of certain sections of government employees, among them professional and technical personnel. But these improvements are firmly contained within the frame of overall supremacy of the IAS in the government secretarial set-up. The men of the IAS are satisfied that the Commission has been 'realistic' enough not to disturb the basic structure of

government administration. The secretary, in other words, remains the boss.

The fact that apart from a special cell in the Finance Ministry, the Secretary to the Prime Minister, P N Dhar, has also been asked to make a parallel study of the Commission's bulky report gives some idea of the complex problems it has raised for the government. First of all, of course, there is the question of the financial liability. According to the calculations of the Commission, there will be an additional liability of Rs 140 crores per year. This is considered manageable and the Finance Minister had indicated at the time of presenting the budget that this ex-

penditure would be met by resort to additional deficit financing. But the first reaction, in the Finance Ministry and in the other concerned ministries, particularly the railways, is that the Commission has underestimated the liability. In addition, the implementation of the Commission's recommendations will raise the question of corresponding relief for state government, local body and other employees and the total liability on this account will turn out to be much larger. The erosion of the assumed resources for the Fifth Plan will turn out to be far larger than the figure of Rs 140 crores would indicate.

BITTEREST PROTEST

While the financial liability arising from the recommendations of the Pay Commission is a matter of concern for the government, for the overwhelming majority of government employees the Commission's dispensation must inevitably seem disappointing. The bitterest protest has been over the rejection of the concept of a need-based minimum wage. The minimum wage of Rs 184 per month recommended is lower than the minimum in organised industry, both public and private sectors. The need-based minimum norm adopted by the Fifteenth Indian Labour Conference, on which the staff organisations had based their case, would come to as much as Rs 314 per month. But even the Pay Commission's own more spartan calculations still put the minimum at Rs 196. The minimum wage recommended by the Commission is, however, only Rs 184.

To justify the minimum wage recommended by it, the Commission has used the currently fashionable argument about the need to commit resources for upliftment of the poorest sections of society, including the unemployed. But, besides this stock argument which the employees' organisations refute by referring to the generous treatment meted out by the Commission to those in the middle and upper salary brackets, the Commission has also relied on another spurious argument. This is that the lowest paid employee when he enters government service does not generally have a family to support and that the minimum income norm, which is based on a family of four, should not therefore apply to them. This is a highly questionable assumption in our social and economic conditions. Even if many of the entrants into government service are not married at the start of their

careers, these employed have to take care of other members of the families, including the unemployed ones in the working age group. The Commission has also shown poor appreciation of the case of the employees by its total disregard of the fact that a large proportion of government employees are not secretarial workers but are engaged in jobs with responsibility similar to those in industrial and commercial enterprises in the public and private sectors. The case of employees in the railways, the post and telegraph department, defence production and other such sectors for treatment comparable to that received by employees in public sector industrial and commercial enterprises is unexceptionable.

Another weakness of the Pay Commission's recommendations relates to its DA formula. Though its DA neutralisation scheme does away with the anomalous slab system suggested by the Second Pay Commission, the essential weakness of the system remains. The scheme still

rests on the premise that the question of DA relief should arise only when a certain level of increase in the cost of living index has been recorded over a 12-month period — 8 points according to the Third Pay Commission compared to 10 points suggested by the Second Pay Commission. The DA relief will, therefore, become available, as in the past, after the employees have lived through a period of steep and persistent rise in the cost of living for several months. The assumption, of course, is that DA will also not be withdrawn abruptly if prices begin to fall, but experience clearly shows that prices move steadily upward and that the premise about up and down fluctuations in prices, on which the DA formula is based, is completely unrealistic. One possible step in these circumstances might be to reduce the time span for purpose of revision of DA for rise in the cost of living index to, say, three months. An equally strong objection to the whole scheme is that the neutralisation granted is still not full but only partial.

SOUTH

Kerala Experiments

Mohit Sen

IT has not been Kerala's fortune, for as long as one cares to remember, to have had a government in office for three continuous years. This is feat enough for the ministry headed by Achuta Menon; but it is very far from being the only feat. The importance of Kerala lies in its experiments, both positive and negative.

The positive first. Those who were in the van of the positive experiments certainly had no illusions as to the possibilities of the present system. The experiment was, therefore, not only to investigate these possibilities concretely but, even more, to see how these possibilities used — as it were, to the end of their tether — could secure vantage points for radical changes in the system and win for further radical changes a larger and broader grouping. For those concerned with the development of the Indian revolution, this was certainly venturing upon unexplored paths.

The crucial criteria to apply to the record of the Achuta Menon Ministry, therefore, are: has social change prospered under it; have more people of differing political and other faiths been won for the cause of the democratic re-

volution. Certainly, in any critical examination, other related criteria have also to be employed — corruption, bureaucracy, employment, industrial growth, and the like. But the first two are crucial.

One revealing comment, by a Congress member of the Working Group on Land Reforms of the National Commission on Agriculture, may be cited here. When the team concluded its visit of the state, he asked whether he had been visiting a part of India or a part of another country or was it a time-journey! The social change, the difference in the position of the working peasant as well as of the rural rich, as compared to any other part of the country, is so tangible and so refreshing that only the purblind and prejudiced can fail to perceive it. The social emancipation of the downtrodden has gone a considerable distance in this southernmost state.

It may be said that this is not due to the Achuta Menon Ministry being in office. And this would be true. The gains in the sphere of social emancipation are the result of decades of struggle, in which the Communist party

played the most outstanding role. They are lasting testimonies to the vitality and indispensability of the pioneering, vanguard role of this party. The veterans and stalwarts of this party, now present both in the CPI and CPM, are the biggest national figures of the state — the late Krishna Pillai, Namboodiripad, A K Gopalan, Achuta Menon, M N Govindan Nair, T V Thomas. In recent decades, the history of Kerala's advance has been very largely the making of this movement. It is no coincidence, and the social historians of modern India should note it, that the process of social emancipation and the strength of the communist movement are directly correlated, at least in this state. One is far from claiming all the credit for the Achuta Menon Ministry.

But if the analysis of the CPM is correct, then three years of this Ministry should have seen the reversal of this process — or at least no advance of it. One is familiar from the experience of West Bengal with what happened when the United Front Ministry fell and the jotedars felt their day had returned. Regression apart, what about the abolition of tenancy, the building of houses where the Harijans would live amidst other members of the community, the takeover of the lands of the recalcitrant Kuttanad landlord, the co-operatives for engineers and medical practitioners, the minimum wages and sliding scale for the agricultural labourers, etc? All this and more explains why the worker and the toiler in Kerala holds his head higher than his class brothers in other parts of this vast country. This is achievement enough for any Ministry, and its significance is all the greater since no other Ministry in any other state of India can show anything comparable.

The only comparable achievement is that this process of social emancipation has brought closer together the political articulations of the working class, the petty bourgeoisie, and the intermediate strata. In 1957-59, very few would have agreed with the forecast that the Communists and broad sections of the Congress would be able to come together on a platform of radical institutional changes. But this is precisely what has happened. There was a time when the Congress in Kerala used to officially organise demonstrations against the commemoration of the heroic events associated with Punappra-Vayalar solely due to bitter anti-Communism. And now one can find Congressmen openly associating with the celebrations; and there is, of course, no question of any organised demonstration against it. Any

competent observer of the political scene in Kerala would notice that there is absolutely no resistance from the Congress; on the other hand, there is active co-operation from it in the implementation of the radical reforms outlined in the programme of the coalition ministry — a programme which is essentially the same as that adopted by the United Front of 1969, in which the CPM was the dominant and domineering partner. This coming together of forward-looking forces in Kerala for the implementation of deep structural changes is more than a pointer for the rest of the country; it is a pathfinder.

A negative experiment is also on in the state. The CPM's Central Committee has announced that it cannot formally join the Biju Patnaik-sponsored 'federal united front'. In the meantime, 'informal' and not so informal alliances are being forged, above all in Kerala. Under the name of Civil Rights Protection Association, the CPM is openly associating with the Kerala Congress, the Syndicate, the Swatantra, the Jan Sangh, etc. This Civil Rights body does not confine its activities to abstract liberties and their protection. It actively intervenes in the politics of the state, as was seen in the recently concluded strike of a section of the NGOs. This joint activity was carried forward when, at the beginning of the Assembly session, Namboodiripad sat together in a so-called *dharna* with all the known leaders of Right reaction in the state. Indeed, the CPM theoretician makes no bones about this joint activity. Issue-to-issue united front is how he terms it. He does not, of course, explain why this approach is confined only to the parties of Right reaction. Where is the issue-to-issue united front that he has tried with the CPI or the Congress in the state? He then pushes forward the thesis that to unite with the devil is not sinful when it is to oppose still more monstrous demons. This amounts to saying that, in Kerala, the main enemy of the progressive forces is the Congress-CPI-RSP-Muslim League coalition. Where is the perspicacious Marxist theoretician's class approach? Can he make out a case that the ousted and remaining landlords, the plantation owners, and the rest, regard this coalition as their political representative and that, therefore, these vested interests cannot be fought without concentrating the main fire on the Achuta Menon ministry? Can he overlook the fact that Kerala is a part of India and that Right reaction is on the offensive even against the partial reforms announced by the Central government? Whose company does he

seek and whose interests is he espousing?

It cannot be denied that this 'grander alliance' does have considerable voting strength in the state. Its capacity for mischief and the financial resources it can mobilise should not be underestimated. Nor can it be overlooked that the 'grander alliance' has all-India tentacles. At the same time, one noteworthy feature has to be pointed out. The CPM's mass base is a radicalised, Left

The Elusive Link

NOW that the Committee of 20 on international monetary reform has agreed on the basic principles which would inform the reform of the present international monetary system, hopes have been raised that the reformed system would be framed and its acceptance secured before the end of the year. The Indian Finance Minister has indicated that the chances of the outline of the new system being presented to the Nairobi Annual Meeting of IMF are very bright.

Let us see what is the sort of reformed international monetary system that is in the offing. The basic principles agreed upon by the Committee of 20 are four, namely, that (i) the new par value system should be "stable though adjustable"; (ii) the role of "principal reserve asset" should be assigned to Special Drawing Rights (SDRs) rather than to gold or national currencies; (iii) speculative capital movements need to be controlled; and (iv) in order to promote economic development, the flow of real resources from developed to developing countries should be encouraged.

It is clear that unlike in the case of the system it would be supplanting, the linchpin of the reformed international monetary system would be the mechanism by which par values can be easily adjusted. Fixed par values are the centrepiece of the present monetary system; that of the new monetary arrangement would be a "stable though adjustable" par value system. There is thus a clear recognition that the burden of correcting balance of payments imbalances have to be borne by the par value system itself. This is a major departure from the old regime under which par values once established become almost sacrosanct.

It is strange but true that those who put up a last-ditch fight for the fixed par value system were not the developed countries, or even those members of the Group of 20 which have benefited

mass base. It has its loyalties, but it also has principles and instincts. It, therefore, refuses to get drawn into the campaigns and actions of the CPM, when the latter is acting in concert with the worst anti-communists and reactionaries in the state. This failure to respond is the beginning of the gradual erosion of the mass base of the CPM. And when this assumes significant proportions, Kerala's experiment would enter a qualitatively new phase.

the most from the system that was set up at Bretton Woods, but the developing countries including India. In his latest statement to Lok Sabha, Y B Chavan, bewails the passing away of the fixed par value system, though he is realistic enough to see that the developing countries would have to learn to live with the consequences of more frequent changes in exchange rates. But how have the developing countries as a Group, and India in particular, come to the conclusion that the balance of advantage for them lies in fixed rather than flexible par values? Certainly, India has not stood to lose under the floating exchange rate system that it has maintained since the dollar was first devalued.

While under the new international monetary system the SDRs will play an important reserve currency role, it is not certain that agreement will be reached easily on reducing, not to speak of eliminating, the monetary reserve role of gold. The reason simply is that it will be hard to persuade the major holders of monetary gold to exchange their gold holdings for SDRs, though they have agreed on an exchange of their dollar (and sterling) balances for SDRs. So long as gold continues to be held in monetary reserves in such large proportions as at present, not only will the SDRs remain a less-than-perfect monetary reserve but the supremacy of gold will actually get increasingly reinforced.

As for the problem of putting some brakes on the movement of speculative capital across national frontiers, the point really is not whether or not it would be necessary to curb large-scale movements of such capital for the effective working of the reformed system. The point really is whether under a reformed system, where adjustment, especially adjustment downwards, of par values is not looked down upon but is accepted willingly as part of the balance of payments equilibrating pro-

cess, speculative movements of capital will at all take on the proportions that they did over the past two decades, particularly over the past two years.

WASTE OF EFFORT

It is in the above context that the question of the 'link' — between SDR creation and the flow of real resources to the developing world — has to be reviewed. The Finance Minister appears to have come away from Washington with the impression that the developed countries are not kindly disposed to the establishment of the 'link'. But let the developing countries try to realistically answer the question: why is it that the developed countries are not particularly well disposed to the 'link'?

Among the developed countries there are two clearly identifiable groups — the surplus countries and the deficit ones. The surplus countries hold not only large quantities of monetary gold but also large quantities of dollars. They want to be rid of the latter but not of the former. The deficit countries, particularly the USA, recognising that the accumulation of large quantities of their IOUs in the hands of the surplus countries makes their par values highly vulnerable and that short of altogether repudiating these IOUs some alternative has to be devised whereby they can avoid being called upon to honour the IOUs, at any rate in the immediate future, have welcomed the idea of converting the outstanding dollar and sterling balances into SDRs. Once this conversion takes place, the rest of the problems become, in the minds of the developed countries, manageable. No large-scale creation of additional SDRs is envisaged from year to year. Imbalances in the balance of payments will be taken care of by the new mechanism of the "stable but adjustable" par value system.

If any additional liquidity is to be created to meet the genuine needs generated by the expansion of international trade, this would be met by the limited creation of reserve currencies. But to make sure that no one country enjoys the benefits of being a reserve currency, the new system would have to be so devised as to ensure the participation of virtually all the developed countries. If in the past the US was the principal beneficiary, followed by Britain as a poor second, now everybody will have to benefit from the arrangement. The problem, however, is that only a country running a deficit can make a contribution to world currency reserves. But is Bonn prepared to run a deficit? Or is Tokyo?

The real snag, therefore, is that in the contemporary world where more than 80 per cent of international trade takes place among the developed countries, at any time only some can be net beneficiaries of the creation of reserve currencies. In the end, this benefit might once again go largely, if not exclusively, to the USA. Not only that, in time to come, a repeat performance of the present scene might well be enacted. It is this realisation that throws the developed countries back to the SDRs once again.

However, in this whole scheme of things the question of directing the flow of real resources to the developing world does not arise — unless it is made a deliberate purpose of world monetary policy that reserve creation in the form of SDRs should be channelled through the developing world. The pattern al-

Radicalisation of Western Science

A P Balachandran

THE Jason division of the Institute for Defence Analyses (IDA) employs about 40 leading American scientists and functions in an advisory capacity on national security matters to the US Department of Defence. The Pentagon Papers suggest that it was the primary inspiration for the initial formulation of the electronic battlefield concept [1]. The latter has since been used for the indiscriminate slaughter of the Vietnamese people. According to a recent report [2], past Jason research papers include titles like "Explosively Produced Flechettes" [3], while an IDA seminar is entitled "Insurgency Patterns in India Today".

The issues of *Le Monde* of June 15 and 16, 1972 carried items about a Nobel Laureate American physicist, Murray Gell-Mann, who had to leave College de France without completing his seminars. He was to lecture on elementary particles, but a part of the audience was more interested in his work for the Jason project. He stated that he was not free to answer questions on Jason [2]. The response to his position was hostile and on the second day of his lectures, he had to be escorted out of the lecture hall to the safety of the streets.

The issue of *Le Monde* of September 30, 1972 contained a report about an international symposium on physics held at Trieste. There were demonstrations against the five Jason members who were participants in the symposium.

ready set for SDR creation, on the Fund quota basis, apart from being inefficient from the point of view of genuine liquidity creation, pays virtually no heed to the requirements of the developing world. What is there in the context of the contemplated reform to compel the developed world to pay such heed? It is a matter of international morality and conscience rather than of the mechanics of the monetary system. Whether SDR creation under the reformed international monetary system would go beyond the formal homage paid in the basic principles outlined by the Committee of 20 is a matter of speculation, but it will be a mistake to lay too much stress by empty phrases. The 'link' might well elude us altogether. But some of us would have wasted a lot of breath, energy and time in the process.

Wigner, Nobel Laureate and a Jason, responded to denouncements of the Jasons as war criminals by holding up a sign which read, "I am flattered by your accusations. They are compliments for me" [4].

This surge of militancy and self-criticism among scientists is only a few years old. In the past, the ideological characterisation of science as value free and international had provided a rather effective insulation from an awareness of its social roots. There was a tiny breach in this insulation due to the development of the atomic bomb. At the first test of this bomb, Oppenheimer is known to have remarked that "scientists have known sin" [5]. Nonetheless, the consciousness that knowledge partakes of both good and evil dimmed among the scientists after the war. Big science in the US and Europe became more and more involved with the state and industry and came increasingly to participate in social contradictions. The scientific community did not develop a significant political consciousness despite its increasing and manifest involvement in national and international affairs.

Science and the pursuit of knowledge are the activities of social beings and are, therefore, necessarily affected by the nature of the society. The phraseology of Darwin like "the survival of the fittest" has a clear resonance with capitalist norms. In our times, subjects like psychology which study

human beings have a tendency to treat them as objects fit for manipulation. Skinner is a prominent American behavioural psychologist. He has proposed a society planned and controlled carefully, by behavioural psychologists as the solution for the present ills [6]. In the world of business administration, extensive research in psychology is in progress to influence the individual to buy toothpastes and contraceptives. In a society where humanity is in a state of deep alienation and human lives tend to be regarded as objects in the service of the market economy, it is not astonishing that the study of human beings takes on the characteristics of the study of things, and methods of their manipulation become an academic pursuit. The recent influence of society on the physical sciences in the west has been direct and rooted in economics. Thus much of the expensive American and European physics is financed by the governments while many American universities maintain subsidiary institutions which do war-related research with help from the academic profession.

THE ANTITHESIS

Characteristically, implicit in a scene such as this is its own antithesis. With the realisation that the American war machine was engaged in an atrocious war in Indochina and that their own professions were collaborators in these efforts at subjugating a people, there arose among the American scientists a spirit of self-criticism and movements for self-purification and an appropriate political response. Unsuccessful attempts were made to persuade the American Physical Society (APS) to assume an official stance on political matters. Papers began to be read at APS meetings on colonialism and oppression [7]. At MIT and Cornell, faculty-student coalitions launched struggles to force the universities to divest themselves of war research. These struggles were partially successful and continue to persist at other American universities. Organisations like SESPA (Scientists and Engineers for Social and Political Action) were formed and radical journals like "Science for the People" were launched [2, 8]. The academic left in Europe also felt involved and formed groups such as the Collectif Intersyndicale Universitaire d'Orsay Vietnam-Laos-Cambodge.

The confrontations with the Jason members are an outcome of these trends. They have occurred at Paris,

Rome, Varenna, Trieste and Geneva [2, 9]. The SESPA group has published a tract on Jason [2]. Interestingly, the Varenna statement against the scientists who help in the American war effort in Indochina was signed by almost all (about 60) of the participants in the Varenna summer school. The same statement was circulated at a large physics conference at Batavia in the US. Only 21 out of the 700 participants signed the document and most of the signatories were European [2]. This is a good indication of the weakness of the radical impulse in the US.

As the war in Indochina becomes less important in the western view, the scientist in the US, who felt guilt about the involvement of his profession in the brutalities of his state, is inclined to be less interested in matters of this sort. Typically, an American university professor who a short while ago was troubled by self-doubt and was inclined to a mild militancy now feels less spirited about preparing a petition. He is likely to regard his duty done by working for the Democratic party during the national elections. The American academic left has had a short life which is beginning to fade out. Still, for a few, the significance of these past years will endure. For them, these were years which radi-

calised their vision of the world and of themselves permanently.

References

- [1] "The Pentagon Papers" (Senator Gravel Edition, Beacon Press, Boston, 1971), Volume IV, p 120.
- [2] "Science against the People: The Story of Jason" (Scientists and Engineers for Social and Political Action, P.O. Box 4161, Berkeley, California 94704, 1972).
- [3] "The flechette or 'nail bomb' contains several hundred 1-inch barbed nails in each 3-inch bomblet. It is designed to enter the body, shredding muscles and body organs as it passes through the body." Ref [2], p 15.
- [4] It should be emphasised that only some of the Jasons are hawks like Wigner. Some others, instead, become Jasons with the genuine hope of influencing the state to become more humane.
- [5] J. R. Oppenheimer, "The Open Mind" (Simon and Schuster, New York, 1955), p 88.
- [6] B. F. Skinner, "Beyond Freedom and Dignity" (Bantam/Vintage, New York, 1972).
- [7] Cf. Maurice Bazin, "Lasers into Pruning Hooks: Science for the People", *Ramparts* (August, 1972).
- [8] "Science for the People" is published by SESPA, 9 Walden Street, Jamaica Plain, Mass 02130, USA.
- [9] Deborah Shapley, "Jason Division: Defence Consultants Who Are Also Professors Attacked", *Science* February 2, 1973).

SIKKIM

Troubled Protectorate

HARDLY a week after the abrupt end to the Sino-Indian loudspeaker warfare across the strategic mountain passes of Nathula, Jelepala and Chola — where the Indian and Chinese troops face each other in a state of constant alert throughout the year — while Gangtok, the world's smallest capital, was being prepared to celebrate the fiftieth birthday of Chogyal Palden Thondup Namgyal on April 4, events in Sikkim suddenly took a tense turn. On the morning of April 4, instead of extending birthday greetings to their ruler, the palace guards rushed to inform him and his Gyalmo Hope Namgyal that the Gangtok police had fired on the volunteers of Sikkim National Congress and Janata Congress while they were making their way towards the palace in defiance of the prohibitory orders. The situation had turned grave enough for the royal birthday functions arranged for April 4 and 5 to be cancelled.

The law and order situation had in fact deteriorated in recent weeks following charges of official rigging of elections to the 24-member Sikkim Council. There was growing discontent about the Chogyal's handling of the political situation. The discontent assumed organised proportions on March 27, when Krishna Chandra Pradhan, President of the Sikkim Janata Congress, was arrested on the charge of making provocative and seditious speeches from the platform of his party's newly formed joint front with the National Congress. The Sikkim National (or Rashtriya) Congress and the Sikkim Janata Congress — the two representative political organisations of the kingdom — organised mass protest rallies and demonstrations all over Sikkim, and 86 volunteers went on an indefinite fast in front of the Tsuklakhang, the palace monastery where the present Chogyal had been consecrated as the twelfth ruler of

Sikkim on April 4, 1965.

Last month's situation was brought temporarily under control by G. S. Bajpayee, the Indian Political Officer in Gangtok. The first few days of April were comparatively peaceful. The fasting volunteers were persuaded to break their fast, and the warring politicians were brought to the negotiating table. What seems to have queered the pitch of the talks, however, was the presence and influence of Sonam Tsering who was leading the government team. Sonam Tsering was also president of the Chogyal's Birthday Celebration Committee. As Vice-President of the Sikkim National Congress till recently, Tsering had been considered enemy number one of the Chogyal in the entire kingdom. However, last year, after he was decorated with 'Pema Dorji' — the highest honour awarded in the kingdom — Tsering, according to the present front leaders, turned into a staunch supporter of the Chogyal. In fact, Sonam Tsering is said to have betrayed his party and colleagues once before too. In 1948, he was one of the three secretaries appointed by the late Tashi Namgyal; he violated the Sikkim State Congress mandate instructing him to resign the post, while the other two secretaries carried out the party directives and resigned. In the recent talks, his attitudes seem to have become obstacles to arriving at an understanding.

FIRST INCIDENTS

As the negotiations seemed to flounder, on the evening of April 3, hundreds of people gathered on the outskirts of Gangtok in response to the Joint Front's call. By the evening, thousands of people were thronging the camps set up by the constituent parties in Lal Bazaar and the nearby parking place. Reports received from other areas of the kingdom spoke of wild demonstrations at several places, including Gayzing, Namchi, Singtam, Rangpo, Ranipool, and Rhenok. Last minute efforts were made at Gangtok to give a fillip to the sagging negotiations. The talks at the palace lasted for about five hours, and were attended by six representatives of the government, six of the joint front of the two parties, and one of the National Party. In the dead of the night, it became apparent that the talks had failed. The volunteers waiting in the fog and darkness at the camps were given the green signal by the front leaders to proceed to the palace. In the confrontation that followed, there were police firings and several arrests.

The little kingdom had witnessed a similar upheaval soon after British withdrawal from the Indian subcontinent, when over 10,000 satyagrahis from all over the kingdom had gathered in Gangtok, gheraoed the palace for over 48 hours, and forced the formed head of State, Maharaja Tashi Namgyal, to constitute a popular ministry under the chief ministership of the Sikkim State Congress leader Tashi Tsering. The ministry, however, lasted for only 29 days and was dissolved — at the instance of New Delhi.

This time, too, tension mounted in Gangtok, as the people, ill-clothed and bare-footed, started to arrive from all over the kingdom. Section 144 was promulgated in anticipation of trouble. Security measures were tightened on all approach roads to the Tashiling, the secretariat, and the palace. The first incident occurred in the early hours of April 4, when the Kanchenjunga peak, overlooking the capital, was still enveloped in the Himalayan fog, the front gave the signal to the volunteers to move to the palace. The police claim they had to open fire as a large number of demonstrators attempted to defy the prohibitory orders; on the other hand, Kazi Lhendup Dorji, leader of the joint front, has asserted that the firing was unprovoked and that the demonstrators had not violated any ban. The road to the palace had been barricaded and steel-helmeted armed police were on guard. The main road in the area was afterwards found strewn with teargas shells.

In the afternoon, the demonstrators regrouped themselves and were again stopped by the police near the palace gate. When the agitators refused to disperse, the police again burst teargas shells and opened fire. In the evening, about 1,000 satyagrahis marched to the Ranipool police station, 12 km from Gangtok, where, too, they were fired upon by the police.

By the evening of April 5, however, the tables were turned on the government. Police outposts in many places were taken over by volunteers of the joint front. The Sikkim Durbar administration collapsed throughout the State — except in the deserted palace and in the Gangtok Bazaar area. In the outlying districts, police outposts and administrative offices were either abandoned or were taken over by the demonstrators. In most district towns, demonstrators gheraoed public offices and heckled senior government officials. A contingent of the Sikkim Guards, usually on guard at the palace, was

deployed to take over police outposts in some nearby towns; but they retreated to the capital after they were faced by huge numbers of demonstrators. The Chogyal sought assistance from India at this stage.

While it now seems certain that law and order may thus be restored, the deeper causes of discontent will yet require attention. Although the Nepalese constitute nearly 65 per cent of the population in Sikkim, the present electoral system allows them only as many seats in the Sikkim Council as are available to the minority communities of the Lepchas and Bhutias. The Chogyal selects the Executive Council (Cabinet) from among the 'elected' members of all the three communities. The joint front has now confronted the Chogyal with the demand for 'one man one vote'.

HISTORY TO LIVE DOWN

This is the first time in the history of Sikkim that politics have taken such a violent turn. Apprehending loss of control of the situation in this strategic area, New Delhi hurriedly sent to Gangtok Avtar Singh, a senior secretary in its External Affairs Ministry. Avtar Singh, a former Indian Political Officer for Sikkim and Bhutan, has been known to be well-disposed towards the popular political leaders in the kingdom; so expectations in Gangtok are that the conclusion may not be entirely favourable to the royalists. Under the Indo-Sikkim treaty of 1950, India is responsible for the defence and territorial integrity of Sikkim and has the right to take such measures as it considers necessary for the defence of Sikkim or the security of India. However, India has much past history to live down. The democrats, too, have not forgotten the visit of another Indian official in similar circumstances some 23 years ago. Instead of directly meeting the political leaders in troubled Gangtok, the then Deputy Minister of the External Affairs had several meetings with the royalists and officials of Government of India. After his return to Delhi, he recommended dissolution of the popular ministry. Will such retrograde recommendations be made again? Over the last 23 years, the political parties in Sikkim have gained in experience. They may no longer passively accept Delhi's verdict and may insist on democratic institutions. New Delhi should not fail to take note of this change of consciousness. It needs to see that the choice is really between a friendly Sikkim with a democratically constituted government and a feudal protectorate.

UASL

UASL

THIS IS ONLY AN ANNOUNCEMENT AND NOT A PROSPECTUS
ANNOUNCEMENT REGARDING ISSUE OF 7,39,900 EQUITY SHARES OF RS. 10 EACH AND 30,000 9.5% (FREE OF COMPANY'S TAX BUT SUBJECT TO DEDUCTION OF TAX AT SOURCE AT THE PRESCRIBED RATES) REDEEMABLE CUMULATIVE SHARES OF RS. 100 EACH FOR CASH AT PAR
Persons interested in full details may obtain copies of Prospectus and Application Forms from the Underwriters, Brokers and Bankers to the Issue or any of the Offices of the Bankers to the Issue mentioned below and also from the Registered Office of the Company.

THE SUBSCRIPTION LIST WILL OPEN AT THE COMMENCEMENT OF BANKING HOURS ON 23RD APRIL, 1973 AND WILL CLOSE AT THE CLOSE OF BANKING HOURS ON 5TH MAY, 1973 OR EARLIER AT THE DISCRETION OF THE BOARD OF DIRECTORS OF THE COMPANY BUT NOT EARLIER THAN THE CLOSE OF BANKING HOURS ON 26TH APRIL, 1973

USHA ALLOYS & STEELS LIMITED

(Incorporated under the Companies Act, 1956)
Registered Office: 14 Prince Street, Calcutta 700013

HISTORY AND OBJECTS OF THE COMPANY:

The Company promoted by Usha Martin Black (Wire Ropes) Limited was incorporated on the 1st December, 1971 in the State of West Bengal under the Companies Act, 1956 and obtained the certificate of entitlement to commence business from the Registrar of Companies, West Bengal, on the 14th December, 1971. The main objects of the Company are inter alia to manufacture, export, import and deal in alloy steels, special and stainless steels, billets and ingots and to carry on business as steel makers, electric and blast furnace proprietors and manufacturers, repairers, importers and exporters of and dealers in ferrous and non-ferrous castings of all kinds and in particular continuous casting, special alloy castings and foundry work of all kinds.

The Company proposes to set up a plant for the manufacture of high/low carbon alloy steel billets with an annual licensed capacity of 50,000 tonnes. In this respect the Government of India has granted an Industrial Licence to the Company being Licence No. L/1A(1)/N-61/72-L.C. dated 11th October, 1972 as amended by letter No.1(18)/70-L.C. dated 16th November, 1972. In the first phase the Company proposes to manufacture between 28,500 and 35,000 tonnes and barring unforeseen circumstances the Company expects to commence commercial production by the middle of 1974. The current annual requirement for high carbon steel billets of the Promoters of the Company, Usha Martin Black (Wire Ropes) Ltd. is estimated at 25,000 tonnes. Further, Usha Martin Black (Wire Ropes) Ltd. have substantial expansion programme in hand and by the time the Company comes into full production, there is every likelihood that a major portion of the Company's production may be taken by them. It is estimated that the country's current annual requirements for high carbon alloy steel billets is far in excess of the country's present production and it is therefore considered that the Company will have an assured market for its products.

LOCATION OF THE INDUSTRY:

The Company's plant for the manufacture of high/low carbon alloy steel billets will be set up at Adityapur which is approximately 6 km. from Jamshedpur in the State of Bihar and is well connected by road and rail with important industrial centres such as Ranchi, Bokaro, Bhilai, Calcutta, Dhanbad, Durgapur and Rourkela.

APPLICATION TO THE STOCK EXCHANGE:

Applications have been made to the Calcutta Stock Exchange and Bombay Stock Exchange for permission to deal in and for quotation for the Equity Shares and Preference Shares of the Company.

BOARD OF DIRECTORS

MR. BASANT KUMAR JHAWAR (Chairman)
Industrialist
51/E, Gariahat Road, Calcutta 700019

MR. VRINDAVAN HARGOVINDDAS VORA
Consulting Actuary
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MR. MATHRA DASS KAPILA
Metallurgical Consultant
31-B, Circuit House Area, Jamshedpur

MR. RANA PRATAP
Company Executive
Westend Park, Hehal, Ranchi

MR. BRIJ KISHORE JHAWAR (Proposed Managing Director)
Industrialist
Kalpana Kothi, Kanke Road, Ranchi.

SECRETARY

MR. BADRI PRASAD TEKRIWAL
111/C, Southern Avenue, Calcutta 700029

REGISTERED OFFICE

14, Prince Street, Calcutta 700013

SOLICITORS

ORR, DIGNAM & CO.,
29, Netaji Subhas Road, Calcutta 700001

AUDITORS

LODHA & CO.
14, Government Place East, Calcutta 700001

ISSUE HOUSE

DCM COMPUTER CENTRE
S. B. Mills Premises
Najafgarh Road, New Delhi 110015

SHARE CAPITAL

Authorised:		
15,00,000 Equity Shares of Rs. 10/- each	Rs.	1,50,00,000
50,000 Preference Shares of Rs. 100/- each	Rs.	50,00,000
	Rs.	2,00,00,000

Issued & Subscribed:		
1,60,100 Equity Shares of Rs. 10/- each	Rs.	16,01,000

Paid-up:		
10,200 Equity Shares of Rs. 10/- each subscribed by the subscribers to the Memorandum of Association of the Company	Rs.	1,02,000

99,900 Equity Shares of Rs. 10/- each have been subscribed by and allotted to the Directors of the Company and their nominees	Rs.	9,99,000
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50,000 Equity Shares of Rs. 10/- each have been subscribed by and allotted to Usha Martin Black (Wire Ropes) Limited, the Promoters of the Company	Rs.	5,00,000
	Rs.	16,01,000

Present Issue for cash at par		
7,39,900 Equity Shares of Rs. 10/- each	Rs.	73,99,000
30,000 9.5% (free of Company's tax but subject to deduction of tax at source at the prescribed rates) Redeemable Cumulative Preference Shares of Rs. 100/- each		

deemable Cumulative Preference Shares of Rs. 100/- each	Rs.	30,00,000
	Rs.	1,03,99,000

Out of the present issue:

50,000 Equity Shares of Rs. 10/- each have been kept reserved for allotment to Life Insurance Corporation of India for cash at par	Rs.	5,00,000
24,500 Equity Shares of Rs. 10/- each have been kept reserved for allotment to Industrial Finance Corporation of India for cash at par	Rs.	2,45,000
24,500 Equity Shares of Rs. 10/- each have been kept reserved for allotment to Unit Trust of India for cash at par	Rs.	2,45,000
*1,99,000 Equity Shares of Rs. 10/- each have been kept reserved for allotment to Usha Martin Black (Wire Ropes) Limited, the Promoters of the Company for cash at par	Rs.	19,99,000
	Rs.	29,89,000

Now offered to the Public for subscription for cash at par:

4,41,000 Equity Shares of Rs. 10/- each	Rs.	44,10,000
30,000 9.5% (free of Company's tax but subject to deduction of tax at source at the prescribed rates) Redeemable Cumulative Preference Shares of Rs. 100/- each	Rs.	30,00,000
	Rs.	74,10,000

*A sum of Rs. 19.99 lakhs has been deposited by Usha Martin Black (Wire Ropes) Limited with the Company. Usha Martin Black (Wire Ropes) Limited has given an undertaking to the underwriters hereinafter named that they will not withdraw the said sum of Rs. 19.99 lakhs or any part thereof from the Company and that will not do any act or thing forbidding the Company from allotting the said 1,99,000 Equity Shares to them. The Company has also given an undertaking to the Underwriters that the said amount shall be applied for allotment of said Shares and that under no circumstances the said amount be refunded nor any interest be paid on the said amount to Usha Martin Black (Wire Ropes) Limited.

APPLICATION AND TERMS OF PAYMENT

Application for shares must be made only by residents in India and must be for a minimum of 50 Shares or multiples thereof in the case of Equity Shares and for a minimum of 5 shares or multiples thereof in the case of Preference Shares and the amounts payable on the respective shares shall be as follows:

	Equity Shares	Preference Shares
On application	Rs. 2.50 per share	Rs. 25/- per share
On allotment	Rs. 2.50 per share	Rs. 25/- per share

The balance of Rs. 5/- per Equity Share and Rs. 50/- per Preference Share shall be payable in such call or calls as may be determined by the Board of Directors of the Company but

so that no call shall be made earlier than two months after the date of allotment of the shares. Calls shall be made proportionately and simultaneously for both Equity Shares and Preference Shares.

UNDERWRITING ARRANGEMENTS

Out of the Shares offered to the public for subscription hereunder 3,92,000 Equity Shares and 30,000 Preference Shares have been underwritten as follows:-

Name and Address of Underwriters	Nominal value of Equity Shares underwritten	Nominal value of Preference underwritten
	Rs. (in lakhs)	Rs. (in lakhs)
THE INDUSTRIAL CREDIT & INVESTMENT CORPORATION OF INDIA LIMITED 163 Backbay Reclamation, Bombay 400020	10.00	10.00
LIFE INSURANCE CORPORATION OF INDIA Yogakshema, Jeevan Bima Marg, Bombay 400020	5.00	15.00
INDUSTRIAL DEVELOPMENT BANK OF INDIA New India Centre, 17 Cooperage, Bombay 400001	14.10	—
INDUSTRIAL FINANCE CORPORATION OF INDIA Bank of Baroda Building 16 Parliament Street, New Delhi 110001	2.55	5.00
UNIT TRUST OF INDIA 45 Veer Nariman Road, Bombay 400001	7.55	—
	Rs. 39.20	Rs. 30.00

Mr. Basant Kumar Jhawar and Mr. Brij Kishore Jhawar, Directors of the Company, have furnished a joint and several undertaking to the aforementioned Underwriters to the effect that before the Underwriters are called upon to fulfil their respective underwriting obligations they will subscribe for and/or procure subscription to the extent of 49,000 Equity Shares of Rs. 10/- each out of the Shares offered to the public and which remain unsubscribed by the public and on which no underwriting commission and/or brokerage will be paid.

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(Continued Overleaf)

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and its main Offices at : Ahmedabad, Ambala, Bangalore,
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Madras, Nagpur, New Delhi, Patna, Poona, Surat & Varanasi.
Copies of the Prospectus and Application Forms may be
obtained from the Underwriters, Brokers and Bankers to the
Issue or from any of the Offices of the Bankers to the Issue
mentioned herein or from the Registered Office of the Com-
pany.

VIETNAM

Unworkable Agreement

Lajpat Rai

ON reading the text of the "Agreement on Ending the War and Restoring Peace in Vietnam", one cannot help concluding that this is a compromise document meant to accommodate all the signatories and that it accords closely with the battlefield results in the last phase of the Vietnamese war. In this Agreement the United States was compelled to make two concessions to Hanoi: the US forces will be withdrawn from Vietnam within a specified time while the North Vietnamese forces will remain in South Vietnam for an indefinite period. The fact that the US was forced to yield on these points represents a significant achievement for the Vietnamese people as well as for the world-wide anti-war movement. But Hanoi too was forced to make concessions. The long-standing Vietnamese demand that the cessation of military hostilities be accompanied by a political solution to the civil war in the South was dropped. Hanoi and the NLF abandoned their demand that the Thieu regime be eliminated and their insistence on the formation of a three-segment coalition government comprising elements of the present Saigon administration, the Provisional Revolutionary Government (PRG) and the 'neutralist forces'. Under the agreement Hanoi was made to accede to the existence of the Thieu regime and thus to the continued existence of the American foothold in South Vietnam. The *New York Times*, a long-time critic of Nixon's Vietnam policy, wrote in its editorial dated December 27, 1972: "Long-overdue concessions on both sides have produced a document that realistically recognises a military stalemate and transfers the struggle for power in South Vietnam to the political arena where it has always belonged."

The *Wall Street Journal*, (November 27, 1972) a mouth-piece of American big business, called the terms of the proposed agreement as "quite favourable ones" and noted that they reflected "a will to settle on the part of the North Vietnamese Communists." The reactionary, jingoistic, pro-Nixon *New York Daily News* called the proposed agreement "a victory for Nixon" and commented that "in essence Hanoi accepted the proposal Nixon made last May 8, when he ordered intensive bombing of North Vietnam and mining of its northern harbours." The cause of jubila-

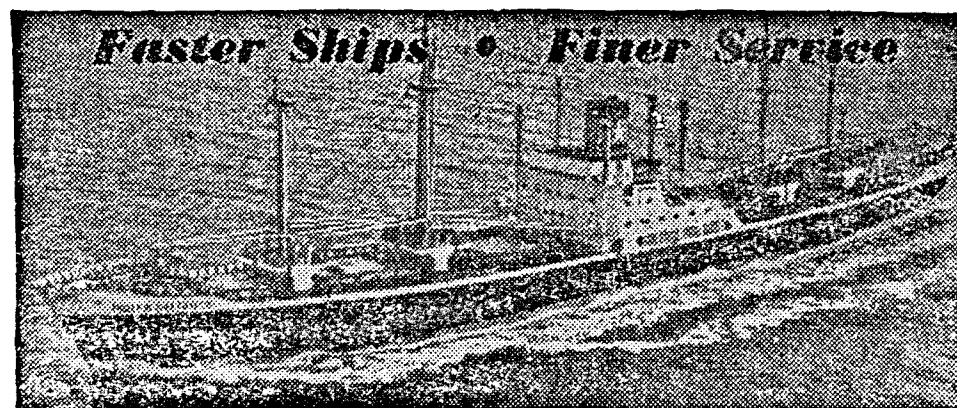
tion on the part of the reactionary American press lay not so much in the nature and the terms of the peace agreement that was signed, but in the fact that the negotiations in Paris came to a successful conclusion. Any pact, irrespective of its contents lends an aura of legitimacy to the US aggression in Vietnam, giving the false impression that the United States had a justified reason for intervening. A section of the American press as well as of the ruling clique in Washington had reluctantly come to the conclusion that the United States will be forced to quit Vietnam unconditionally and in disgrace with no cover whatsoever for its crimes. The agreement provided a face-saving device for the US aggressors and also a tacit recognition of the premise that the United States did in fact have something to negotiate in Indochina. In this sense, the agreement made a major contribution to the victory of Nixon in the US presidential election.

The North Vietnamese leaders themselves, while attempting to portray the agreement as a victory for the liberation struggle recognised that they had made important concessions. The *New York Times* of October 30, 1972 carried an article by Professor Richard Barnot, the Co-ordinator of the Institute for Policy Studies and an outspoken critic of the Nixon administration, who was invited along with some others "to hear a clarification of North Vietnamese views on the proposed agreement". According to Barnot, Nguyen Minh Vy, the Deputy Premier of North Vietnam and the PRG Foreign Minister, Nguyen Thi Binh, "recognise that a standstill cease-fire involves risks, particularly since they have relaxed their previous demand that President Thieu's administration and his 'repressive apparatus' be dismantled before fighting stops." That the Vietnamese have made major concessions, dropping their demand even for a dubious coalition government, is indisputable. The forces which exerted pressures for these concessions to be made are located not only in Washington, but also in Moscow and Peking. Washington's pressures were two-pronged: its savage bombing of North and South Vietnam and its mining of North Vietnamese harbours which restricted greatly the movement of war materials and other supplies; the other pressures were indirect via Mos-

cow and Peking.

As against the unprecedented concentration of explosive power dropped by the US on a small country, what help did Moscow and Peking give to a member of the 'socialist family' in military terms? The military aid given to Vietnam by the Russians did not come up even to the level of aid they doled out liberally to some friendly bourgeoisie regimes such as that of Egypt. When the Egyptian regime was threatened by further Israeli expansionism, Moscow sent weaponry of an advanced type that was never delivered to the revolutionary government of South Vietnam or to the socialist state of North Vietnam. Egypt was provided with anti-ship missiles to deter the Israeli Navy. The Vietnamese who could have used the same equipment against the Seventh Fleet, had to rely only on conventional gunnery. The Egyptian regime received MiG-23s, jet fighters that are superior to the US F-4 Phantoms, even though operation of them was restricted to Soviet pilots. The North Vietnamese had to make do with obsolescent earlier generation aircraft. Further, the most advanced surface-to-air missiles were delivered to Cairo, but not to Hanoi.

The Peking regime, no doubt, could not have provided military aid on the level Moscow could have. Yet, in the spring of 1972, the Chinese government while claiming to give "all possible assistance to the heroic Vietnamese" came up with \$ 300 million worth of military aid to prop up the undemocratic regime of Zulfikar Ali Bhutto. But the Moscow-Peking let down of Vietnam was not only military, it was also political. Both the communist capitals, especially Moscow, commanded the allegiance of millions in the international workers' movement, millions who could be mobilised into a massive worldwide campaign to force the United States to quit Indochina. But instead they followed policies aimed at splitting and dividing the world anti-war movement and tailoring it to their own diplomatic objectives. The course of events in 1972 showed the crucial role played by Moscow and Peking in forcing the Vietnamese to accept the so-called "Agreement on Ending the War and Restoring Peace in Vietnam". The drastic re-escalation of the US bombing of North Vietnam was timed to coincide with Nixon's trip to Peking and Moscow. The very visit of Nixon to the socialist capitals was a blow to the Vietnamese efforts to achieve victory. In Indochina the CIA dropped millions of leaflets showing pictures of



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Mao and Nixon and Brezhnev and Nixon shaking hands. On February 14, 1972, *US News and World Report* commented: "The American authorities hope that the 'understanding in principle' reached in Peking may, in time, result in a softening of Hanoi's rigid stance, on the battlefields and at the Paris talks". The comment, of the *New York Times* of February 17, 1972, was: "Peking's attitude has undergone a subtle change. On Vietnam, instead of exhorting Hanoi to fight to the finish as in 1970, Peking now urges a negotiated settlement, even if ostensibly on Hanoi's terms." The *Washington Post's* correspondent, Stanley Karnov, noted: "The Soviet Union and China played a significant behind-the-scenes role in persuading the North Vietnamese leaders to work towards the compromise settlement of the war that now appears to be emerging". In Karnov's opinion Nixon's Peking and Moscow trips were "designed, in part at least, to urge the People's Republic of China and the Soviet Union to exert pressure on North Vietnam to agree to a compromise end to the war." The sop given to the Chinese, according to the US analyst, was that "peace in Vietnam would result in the withdrawal of US forces from the island of Taiwan."

The assessment that Moscow and Peking had pressurised Hanoi into signing the present agreement was nearly universal in the US Press. On October 30, the *Wall Street Journal's* Robert Keatly wrote gloatingly: "Premier Chou En-lai helped push a balky North Vietnamese leadership into seeking largely made-in-America terms to end the war. But Chou En-lai did not push alone. Soviet Communist Party General Secretary Leonid Brezhnev, too, has let it be made clear that Moscow also wants peace more than it desires a prolonged Vietnam war; for Russia, also, proletarian solidarity has its limits in practice, if not in theory." Keatly also reported that during Nixon's Moscow trip the Russian correspondents travelling with US reporters "privately berated Hanoi for trying to sabotage co-operation between the super powers. They also accused the Vietnamese leaders of trying to undermine the Moscow-Washington summit with their offensive in South Vietnam. As intended, such talks got into print." The same conclusion was drawn by the two well known syndicated columnists Robert Novack and Rowland Evans who wrote (*New York Times*, October 28) the

following: "Accordingly, Nixon's political judgment seems vindicated that Hanoi under pressure from Peking, Moscow and the brutally effective American bombing and blockade, would agree to a genuine compromise now, rather than dealing with a re-elected and unfettered President Nixon." But despite the intentions of Moscow and Peking, it is apparent to anyone following the developments in Vietnam, that the current agreement cannot produce peace in Vietnam; at most it can result in a temporary halt in the fighting.

The agreement recognises two administrations and more importantly, two armies in South Vietnam: Thieu's puppet outfit and the North Vietnamese army along with the guerilla units of the NLF. The 'neutralist', democratic elements, the third segment of the National Council of Reconciliation and Concord, are mostly confined to Thieu's jails. It is thus a situation of dual power in South Vietnam strongly weighted towards the side of the Saigon regime and US imperialism. The fact is that the proposed accord does not dismantle the repressive apparatus of Thieu's administration and gives the latter a free hand to suppress all opposition with a firm hand. A PTI despatch from Saigon (*Times of India*, October 30) said that the Thieu government had made the "possession of the NLF flag punishable by death." It also stated that "each person will be required to produce a government flag along with an identification card when asked by the police." PRG Foreign Minister Madame Binh charged (*Le Monde*, October 29) that Thieu had unleashed an extermination campaign against South Vietnam's more than 200,000 political prisoners, "Women and children are being tortured in jail" she said. She also added, "The US is equally responsible, for Thieu is incapable of carrying out such a policy alone." The release of civilian political prisoners according to the Agreement is a matter of negotiation between Thieu and the PRG. Even before the ceasefire went into effect, the US government rushed massive military aid to Saigon. The *New York Times* (October 27) reported that the "Defence Department was accelerating shipments of jet fighters, tanks and artillery previously scheduled for delivery to Saigon" to ensure that the equipment reached there "before any cease-fire closes off reinforcements". As a result, Thieu today has one of the greatest military arsenals in the world. His air force strength is only less than that of the US, the Soviet

Union and China. Assured of this massive US support, the Thieu regime has given ample indication of how it expects to implement the "national reconciliation and concord" called for in the agreement. In a recent interview with Associated Press (Hanoi, March 18, 1973, *Times of India*, March 19), Ha Van Lau, head of the North Vietnam's Commission for Implementation of the Peace Agreement, charged that "the US has given the green light to the Thieu regime to attack the liberated areas with all its 13 divisions". He also complained about the US troop withdrawals from South Vietnam and pointed out that the withdrawing US and South Korean troops had left their arms in South Vietnam against the provisions of the agreement. He added that "blood continues to flow and the guns are not silent yet."

From the news pouring out from South Vietnam it is clear that a blood-bath is now under way, with Thieu and his American mentors wielding the axe. Jail tortures have reached a new high and cold blooded killings of patriots are a daily occurrence. Political prisoners are being kept in tiger cages "till they forget how to use their legs". Some with withered legs were recently shown in TV newsreels. The notion that the Saigon regime will allow itself to be ousted through a gradual process of peaceful politicking is preposterous. A cease-fire cannot end the class struggle because it cannot solve any of the fundamental problems facing the Vietnamese people. Full-scale resumption of the civil war is only a short step from the Saigon repression which is already under way. Thieu can no more permit the indefinite posting of a hostile army in South Vietnam than he can allow a peaceful political process to take place in Saigon itself. The regime of hated militarists, landlords and puppets cannot peacefully co-exist for any length of time with the revolutionary armies representing the interests of workers and peasants. The Hanoi-Washington accord recognises two governments and two armies in South Vietnam and instructs them to settle their differences peacefully through an election. Only a heavenly miracle can achieve such a feat in reality. Article 9(b) of the Agreement stipulates: "The South Vietnamese people shall decide themselves the political future of South Vietnam through genuinely free and democratic general elections under international supervision." But neither elections nor international supervision can bring about any change in the existing balance of power. The 1954 Geneva

accords promised elections within two years. But the decisive delay of two years allowed Washington to build up the Diem regime, arm and finance its campaign of repression and then cancel the elections when the time came. Of course this does not take Vietnam back to the point at which it stood after the Geneva accords of 1954. The balance of forces, both national and international is in favour of the Vietnamese liberation movement. Yet, it would be disastrous not to learn from past experience and to have faith in imperialism whose recent record is as black as it was two decades ago. In this connection, one cannot ignore Nixon's threat to North Vietnam that the US would be "forced to take action" if the North Vietnamese penetration in the South continues.

But even in the immediate sense, the Agreement is likely to be unworkable. Significant areas of South Vietnam are under Saigon's control during the day and the PRG's control at night. In such a situation it is not simply a stretch of territory over which control will be disputed, but a village-by village struggle for power. There is no doubt that if peaceable processes as stipulated in the Agreement are allowed to proceed, such areas will come under the jurisdiction of the liberation forces. But Thieu will never permit such processes to unfold. The repression unleashed in the areas under Saigon's firm control is likely to snowball, spreading geographically, first to contested areas and then to areas recognised in the Agreement as North Vietnamese sanctuaries. In fact this latter process has already commenced as Ha Van Lau's protest mentioned above indicates.

What will Hanoi's response be to this repression? Will it come to the aid of the NLF guerillas when Thieu breaks the cease-fire? There is hardly any doubt about it, unless pressure from Moscow and Peking limits its actions only to the extent of defending its own base areas. Here, one aspect of the Agreement becomes perfectly clear. The most massive destructive force ever assembled — the US Seventh Fleet and the air force units in Thailand — will remain poised to attack the liberation forces. The Agreement says nothing about the deployment of American forces in Thailand and about the Seventh Fleet. The Pentagon admits that there are over 50,000 US personnel attached to the Fleet and 65,000 stationed at various bases in Thailand. The four aircraft carriers in the Fleet carry 240 fighter-bombers. The Thailand-based

air armada contains over 500 combat planes, 50 B-52s among them. Should Nixon decide (mark his threats) that the Vietnamese people have "broken the cease-fire" by resisting Thieu's bloody aggression, the planes and troops are ready. The removal of troops from Vietnam, even from Indochina, will itself in no way restrict the US ability to resume bombing at a moment's notice. If the past history of Indochina and the perfidious role of American imperialism are any indication, then should the civil war break out again and should US puppet forces again get the worst of it, US imperialism will not hesitate to resume where it left off. Since Moscow and Peking have demonstrated their unwillingness to act in the face of such an eventuality, there is no international force capable of staying the hand of the American imperialists. They were able to carry out the most vicious and brutal attacks on a people in world history because neither

Moscow nor Peking came to the aid of the Vietnamese in a meaningful way. Nor is it expected that they will do so in future.

And the Vietnamese know this. They know that they were forced to pay the price for the unprincipled *detente* — dictated by narrow nationalist interests — between Moscow, Peking and US imperialism. A *Nhan Dan* editorial (August 17, 1972) commented: "The imperialists pursue a policy of *detente* with some big countries [USSR and China] in order to have a free hand to consolidate their forces, oppose the revolutionary movement in the world ... bully the small countries and stamp out the national liberation movements ...". The same article states that the *detente* is tantamount to "throwing a lifebuoy to a drowning pirate" and accuses both Moscow and Peking, without naming them, of following their "immediate and narrow interests while shirking [their] internationalist duties."

REVIEW

Defence Strategies

S Krishnappa

Contemporary Military Strategy by Morton H Halperin, Faber and Faber, London, 1972; pp 149; £ 1.95.

THE new edition of this book was revised and published in 1972. As such it seeks to present up-to-date position papers on American, Soviet and Chinese strategies as seen by an American. Halperin has worked in the US Defence Department and later, on the staff of the National Security Council.

The author has, as is suggested by the title of the book, done well to restrict himself to looking at the power balance and strategic picture as they have developed since 1945. He has, therefore, been able to avoid a considerable amount of cluttering which invariably finds its way into other books on the subject. He regards 1945 as a watershed year. The development of nuclear technology was accompanied by a bipolar distribution of power between the United States and the Soviet Union. But by 1970 this bipolarity had broken down to some degree, the nuclear capability of the two super powers proving less relevant to the situation than such factors as the conflict between the

Soviet Union and China, the growing economic and political power of West Germany and Japan and persistent nationalism in the newly independent countries. Within the framework of the nuclear stalemate, limited local wars, including guerilla wars, have become an instrument of international political change and the United States and the Soviet Union will not intervene directly unless it affects their vital interests. Thus, general nuclear war is not worth fighting for. According to the author this paradox provides the challenge and setting for consideration of the role of military strategy in the nuclear age. Here 'general war' is defined as a war involving attacks by the United States and the Soviet Union on each other's homelands. A 'local war' is seen as one in which, though the United States and Soviet Union are in opposite camps, there is no attack on the homelands of the two super powers.

The nuclear environment has impelled new thinking and techniques, particularly quantitative ones, for dealing with these problems. The

book has a useful chapter on quantitative and qualitative analysis. However, the author holds the view that in the final analysis — as in the case of Cuba — quantitative calculations, though important, are secondary to qualitative political judgment which still shapes the crucial policy discussions in a nuclear world.

The portrayal of development in military thinking, doctrine and strategy in the United States goes around familiar landmarks. But writing on the USSR, Halperin makes an important observation in underlining the fact that the Soviet government, party and the bureaucracy do not have a single view on defence matters. Granting this, the author thereafter is on unfamiliar ground, arriving at the bold if somewhat uncorroborated conclusion that "Soviet statements and actions suggest that Soviet thinking about strategic questions closely parallels Western thought".

The survey of Chinese military strategy is of particular interest. The fundamental principle of Maoist military doctrine is the notion of going from a weak position to a strong position so as to achieve selected objectives. The Chinese Communist Party used this strategy to gain power and is now following it in its international relations. Mao has also said that an enemy may be strategically despised but must be tactically respected. This means that in the long run the enemy, however strong, can be defeated, but in the short run his strength must be recognised. It is in this light that such statements as the United States is a paper tiger are made — meaning that in the long run the US can be defeated by proper strategy.

This does not mean that nuclear weapons cannot destroy China. There is a widespread view that the Chinese do not understand nuclear war, do not fear nuclear war, in fact, even desire nuclear war, and that they lack an understanding of the realities of the nuclear age. Actually, while the Chinese recognise the importance of nuclear weapons because these weapons form the basis of increased power, they also recognise that nuclear weapons are of marginal value in achieving Chinese political objective in Asia. Likewise, an examination of the role of conventional forces as an instrument of Chinese foreign policy indicates a strong desire to avoid a major conventional war, primarily for two reasons — the economic costs in preparing for such a war and the

economic and political costs of such a venture. This has not precluded the Chinese, however, from using military forces for specific purposes as on the Sino-Indian border. The author has only touched the major trends in the Chinese military strategy and dismissed them in nine pages. He has left out many important facts about their military thinking, organisation and practice that would have interested Indian and other readers. For example, the Chinese have created an ingenious organisation for fighting the enemy even after a full-scale nuclear attack on themselves. China's improvised and cheap bomb shelters spread over the entire length and breadth of China are an achievement not only in civil defence but in keeping ready an organisation for resistance on an unprecedented scale. The standby logistic and communication systems have been similarly devised. The determination to defend their country at the level of every citizen, village and over the entire length and breadth of the countryside forms the fundamental basis of their strategic thinking and doctrine. This is an entirely unique concept — as far as conventional military thought is concerned — because it is a novel blend of the social, political and military ethos of a nation.

The Nixon doctrine, the situation in Asia, SALT (Strategic Arms Limitation Talks) and the NPT (Nuclear Non-Proliferation Treaty) have been dealt with neatly and in a 'scholarly' manner in this book. Halperin makes a very pertinent observation regarding the NPT. He says "both sides will be free to pursue improvements and changes in the areas not covered by the agreement. Each side thus needs to ask itself the question whether the likely action of the other side in the areas not covered by the agreement will produce a situation of greater or lesser strategic stability than that which would occur without an agreement".

An American carrying the burden of the 'free world' cannot, however, understand the compulsions of the situation as they exist in the have-not world. Vietnam symbolises these compulsions and there could be perhaps a dozen Vietnams waiting to be born out of injustice. Contemporary military strategy has, therefore, to devote much more attention to the field of crises and responses arising from such a situation. This, the author himself all but acknowledges at the very outset when he accepts it as a

basic premise that general nuclear war involving the homelands of the super powers has been mutually vetoed and it is the limited wars that must be kept limited.

Limited wars, of course, have an important place in the Nixon-Kissinger doctrine for maintenance of the status quo. A quotation from Henry Kissinger's book, "Nuclear Weapons and Foreign Policy", would be appropriate. (There is so much talk in the book about the opportunities presented by limited war that Kissinger's strategy seems to include initiating such a war.) Kissinger writes: "the existence of a Communist regime in some areas is a threat to our security, however the regime is established. Do we resist Communist domination of an area only when it is illegal or because the domination of Eurasia by Communism would upset the strategic balance against us?"

The Nixon-Kissinger doctrine, as expressed in the US President's 1971 "State of the World" message emphasises a limited war strategy, with an important role for nuclear weapons: "To deter conventional aggression, we and our allies together, must be capable of posing unacceptable risks to potential enemies. We must not be in a position of being able to employ only strategic weapons to meet challenges to our interests. On the other hand, having a full range of options does not mean that we will necessarily limit our response to the level or intensity chosen by an enemy. Potential enemies must know that we will respond to whatever degree is required to protect our interests." (Emphasis added.) This emphasises the search for a third option — a combination of tactical nuclear and electronically guided war.

Morton Halperin himself, after resigning from the National Security Council, wrote in the *New York Times* of November 7, 1970: "President Nixon's Vietnamisation policy, far from getting us out of Vietnam, will at best lead to an indefinite presence in Vietnam of thousands of American troops. It could well drive the President to massive escalation, the mining of Haiphong Harbour and saturation bombing of North Vietnam." The message, therefore, is clear despite the present show of US withdrawal from Vietnam. The Americans will not give up their control of the 'poor world' from where so much of their raw materials come, from where so much of their profits and prosperity are derived.

Non-Impact of Soviet Writing on Indian Thinking and Policy

Stephen Clarkson

The object of this study was simply to determine what influence Soviet writing about India had on the country's intellectuals and policy-makers. Given the exacerbation of India's relations with the US and the excellence of recent Indo-Soviet relations; given the generally satisfactory aid relationship through which Russian credits had made it possible for India to establish a large number of State sector enterprises; and given the coincidence of views between Soviet marxism-leninism and the bulk of Indian intellectuals concerning the importance of national economic independence, the imperialism of American foreign policy, and the need for State control of the private sector; the expectation behind this research was that Soviet intellectual and policy influence in India would be seen to be considerable. In fact, the research revealed that neither in theory nor in practice have the Soviets had any noticeable impact on the Indian elite's ways of thinking or acting in governmental affairs.

The low impact of Soviet writings and policy on Indian thinkers and policy-makers may, however, work to the advantage of the Soviet government, which is more concerned about stability and influence in the subcontinent than ideological converts or policy disciples. While not flattering to Soviet ideologists, India's cool reaction to marxist-leninist ideas may be the best condition for continuing healthy long-term relationship of this country with the Soviet Union.

The evidence appears conclusive that, if the influence of marxist-leninist thought is to grow in India, it will be less because of external stimulation, whether from Moscow or any other communist capital, than from the indigenous flowering of a local communist practice and experience of the type seen in Kerala or West Bengal.

IN the struggle that has been waged by the super powers for the 'hearts and minds' of the third world, it has been assumed that the ideological combat was not just a rationalisation of the great power conflict but also a direct appeal to the uncommitted nations for them to adopt socialist or capitalist models for their own development. Politicians justified aid programmes as the means to buttress recipient countries from the subversive dangers of capitalism or communism and academics devoted monographs to assess whether countries, X, Y or Z were being drawn into the orbit of the imperialist bloc or socialist camp, respectively. As this was the era of social science model-building in the Western academies and of nation-building by the mostly intellectual new leaderships in the third world, it was not unreasonable to assume that ideas would have a formative impact on the political, economic and even social systems of these 'emerging' societies. Indeed, the events that captured the headlines and dominated the book catalogues on Third World problems concerned radical changes in these new states — whether it be the erection of Castro's marxism-leninism or the downfall of Nkrumah's socialism. By inference, the leaderships — including the elites in the civil ser-

vice, the economy, the press and the universities — could be shifted from one development path to another as if they were sitting on some huge teeter-totter, just needing an ideological impulse to push them up or down one way or the other.

Recent political science research has not addressed itself to assessing what impact super power theories and models have actually had. To take as an example India which has been the most thoroughly studied of third world countries; we have studies on Indian public opinion concerning the US and the USSR,¹ comparative research on Soviet and American aid to India,² studies on the Soviet ideological line for Indian communism,³ sensitive analysis of the internal dynamics of Indian communism,⁴ and anti-communist descriptions of the extent of Soviet propaganda distribution in India.⁵ No work has been done on the influence of either the USSR or the US on the thinking or policy-making of Indians.

Since it was felt that an analysis of Soviet development theory would be incomplete without an assessment of its impact, a hundred-interview field trip was undertaken by this author to investigate the influence of Soviet thinking on the third world elite of a specific country. Since there is no 'typical'

developing country and since it was hypothesised that evidence of Soviet influence would be difficult to identify, India was chosen as the site for the field work: the interviews were carried out during March and April 1972, just after the liberation of Bangladesh by the Indian army under the umbrella of the 1971 Indo-Soviet treaty and immediately following the March state elections in which Indira Gandhi's Congress Party had elicited a second sweeping mandate of public confidence. It was in fact a period of national confidence *vis-a-vis* the outside world and, as far as the Soviet Union was concerned, a period when feelings towards the USSR were as friendly and unapprehensive as they have ever been. If the time for the research was biased towards favourable responses concerning the Soviet Union, so too was the selection of interviewees weighted in favour of knowledge of Soviet thinking and its possible impact on the policy process within the Indian government. As the objective was to ascertain what influence Soviet political, and economic thinking had on Indian thought and policy-making, the interviews were of: 9 journalists, 17 economists, 10 international relations experts, 10 other political scientists, 6 historians, 15 senior civil servants at the secretary, joint secretary or ad-

viser level, 4 in the government circle, 2 ministers and 2 ex-ministers, and 4 other politicians, 20 entrepreneurs, 14 from the private sector and 6 general managers of public sector corporations.⁶

The object of the study was simply to determine what influence Soviet writing about India had on the country's intellectuals and policy-makers. Given the exacerbation of India's relations with the US and the excellence of recent Indo-Soviet relations; given the generally satisfactory aid relationship through which Russian credits had made it possible for India to establish a large number of State sector enterprises; and given the coincidence of views between Soviet marxism-leninism and the bulk of Indian intellectuals concerning the importance of national economic independence, the imperialism of American foreign policy, and the need for State control of the private sector; the expectation behind this research was that the Soviet intellectual and policy influence in India would turn out to be considerable. In fact, the research revealed that neither in theory nor in practice have the Soviets had any noticeable impact on Indian elite's ways of thinking or acting in governmental affairs.

I

Low Impact of Soviet Scholarship on Indian Intellectuals

However huge India may be as the second most populous nation on earth, its elites are small. The English-speaking elites that actually make government decisions and formulate educated opinion are concentrated in the capital of New Delhi, the commercial centres of Bombay and Calcutta, and a handful of better university departments. Whatever truth there may be in the view that the 'real' India is beyond the grasp of the English-speaking elite, it can be taken for granted that whatever influence foreign thought, in this case Soviet, does have would be first discernible in these English-speaking national elites.

(A) Journalists:

Because the intellectual world is effectively so small, the role of the journalist as intellectual pace-setter is greatly increased. In what is a largely conformist intellectual milieu, ideas circulate rapidly. When attempting to feel the pulse of Indian thinking one is immediately referred by local intellectuals to the senior columnists and editorial writers of New Delhi's major newspapers. Interviews with these journalists revealed a set of attitudes that turned out to be widely held by all the academic

interviewees: a blend of national self-confidence and remoteness from foreign thought.

The first indication of what turned out to be a general theme running through interviewees' minds on the irrelevance of foreign thinking was expressed directly by one senior journalist as a general disinterest in all foreign writings about India, on the grounds that no outsiders could possibly comprehend the complexity of Indian social reality. Asked why his paper has never reprinted a Soviet article on its editorial page, an editor at the *Times of India* responded that, if they were to reprint foreign material it would come from the *London Times*, not the *Moscow New Times*. It was not out of animosity towards the Soviet Union that the interviewed journalists expressed low interest in Soviet writing. On the contrary; during the course of interviews it became clear that this reluctance concerning Soviet thought had nothing to do with attitudes towards the Soviet Union, which were warm when they were not enthusiastic. That the Russians have proven themselves India's best friends in action, was a point repeatedly made by these editorial writers who clearly had no fear of the Soviets nor any concern that dependence would lead to improve behaviour by the USSR. While this self-confidence contrasted markedly with the anxieties expressed by journalists such as Kuldip Nayar only a year or two before,⁷ it is even more striking that such politically pro-Soviet attitudes could co-exist with ideologically anti-marxist-leninist views. Explaining why the Indian press carries virtually no Soviet material, most journalists evinced a great distrust for the political bias of Soviet scholars and what they consider the resulting low quality of their publications. One editor's explanation for not publishing Soviet material was that India has a democratic political system; by inference, the Soviet Union's undemocratic thought was not welcome. Just as friendliness towards the Soviet Union did not prevent apprehension concerning Soviet writings, so too a distrust of marxist-leninist ideology did not prevent a much greater interest in Soviet national interests than in Soviet ideological formulations. The final straw breaking the credibility of Soviet writings for one Indian journalist was what he saw as a contradiction between the socialist agrarian theory they are preaching abroad (collectivisation and co-operatives) and the actual capitalism they are practising at home (increased size of private plots and de-collectivisation). If the Soviets are coming to the Indians for help in plant genetics, it

is understandable that this Indian writer specialising in agrarian problems could not take Soviet ideological thinking seriously. It is not very surprising that Indian journalists generally agree in their self-confident perception of the Indo-Soviet relationship and their disregard of Soviet writing. The ideological distance between the *Patriot* on the Centre Left and the *Times of India* on the Central Right is not very great: conformism and considerable defence towards the governmental line is a common characteristic of the partially controlled daily press in India. What is far more surprising is the consensus concerning Soviet writings that was revealed by interviews of Indian academics from the moderate Centre to the far Left of the ideological spectrum. While the amount of knowledge of, and the level of interest in, Soviet writings vary among different academics depending on their area of specialisation, the attitudes of those Indian intellectuals who could *a priori* be expected to be most familiar with Soviet thinking can be best presented in three dimensions: little information, low credibility, and poor personal contact.

(B) Non-Marxist Intellectuals:

Little Information: The most striking aspect of the intellectual relationship between India and the Soviet Union is the extremely low level of information among Indian academics concerning Soviet development theory. When the author presented papers on the Soviet development model in university centres the general reaction was one of great interest in information which the listeners had never heard before. At Jaipur University, speaking to a refresher course for political science professors from across north India he was thanked for telling them something about which they all "knew very little". Even at such a respected establishment as the graduate School of International Studies, Jawaharlal Nehru University in New Delhi, which is specialised in foreign affairs and area studies, the level of knowledge about the Soviet Union in general and Soviet thinking in particular was also low. Only one professor gives courses on Soviet politics. While there is some interest in communist political theory, this is restricted to a knowledge of Marx learned through western, anti-marxist texts. In fact, notwithstanding the School's interest in area studies, the Soviet Union, Central Asia, and East Europe included, the official curriculum for all courses given there included only nine Soviet books. Even adding two works by Trotsky, the Soviet-authored listings made up only

7 per cent of the recommended readings.⁸ The lack of knowledge about Soviet writings on India did not reflect disinterest in Soviet relations with India. On the contrary discussion of the Indo-Soviet Treaty, and of the new power balance in Asia resulting from the liberation of Bangladesh, all indicated a lively interest in Soviet performance and intentions. Economists are interested in the efficiency of Soviet aid projects as compared to western project performance. Liberal political scientists are interested in what kind of relations the Indian communist parties, particularly the reputedly pro-Soviet CPI, have with Moscow. But the question whether the Soviet academic researchers have anything to say of relevance about India is a non-starter to Indian intellectuals.

Low Credibility: This ignorance of Soviet writing on India is not a product of disinterest in Indian problems: on the contrary, Indian social science is characterised by an almost total pre-occupation with Indian issues. Nor is it a question of language, though it is true that facility with the Russian language is an extremely rare professional quality among Indian academics. Much is translated from Russian into English in other areas of knowledge. Soviet writings on India could be translated if the interest were there. The crux of the problem, however, was reiterated in interview after interview: Soviet scholarship suffers from an extraordinary credibility gap among Indians. What material Indian scholars have read is called by them 'turgid', 'monotonous' 'unreadable'. Worse than the style is the perceived poor quality of the writing which is dismissed time after time as 'only propaganda', 'jargon', or 'rhetoric'. The Soviet intellectual is considered not to be free to write what he considers the truth, undertaking research only to refute accusations made by the Chinese or 'bourgeois ideologists'. Where they are not being defensive, the Soviets are considered to be 'political' academics, so constrained by party directives that they could only present the official view on any particular topic. Underlying all these stereotypes of Soviet writing, is the feeling that there is a double contradiction in Soviet social science work on developing countries. One contradiction is between the Soviet writings on the third world — which are revolutionary in tone or conclusions — and Soviet foreign policy towards third world countries — which is accommodating if not supporting reactionary regimes. The other contradiction, between marxist-leninist theory which is hostile

to bourgeois capitalist systems and actual Soviet analysis of India which is presented as a progressive country, further discredits the Soviet school among the more radical thinkers.

Poor Personal Contact: It might be thought that this set of unambiguously scornful attitudes is bred by ignorance and could be corrected through better personal contact between Indian scholars and their Soviet colleagues. This is not the case. Contempt for Soviet writings may not be bred on familiarity, but it is certainly nourished by contact with the Soviet academic establishment. This contact takes two forms: meeting Soviet scholars visiting India and dealing with the Soviet Ministry of Education about research matters. When questioned about Soviet academics visiting India, Indian intellectuals have a number of responses — none favourable. The general view, as summarised by one political scientist, is that they "come as academics but talk like diplomats". Even those political economists whose better quality books are translated into English have disappointed their Indian interlocutors. Gordon-Polonskaya, author of an important study on Pakistan, gave a seminar at the School of International Studies and appeared 'doctrinaire', unwilling to discuss questions in the seminar. More recently, in March 1972, when Grigory Kotovsky was in New Delhi it was noticed that he diplomatically declined to answer a journalist's questions concerning current Indian problems on the grounds that this was 'politics' and he was a scholar. This inhibition against frank and open discussions is compared with the more free-wheeling, self-confident behaviour of western professors who, while their bias is equally identifiable, are found more stimulating because of their readiness to engage in intellectual battle.

A more specific, professional complaint comes from those Indians who have tried with little success to get facilities for research in the Soviet Union or who are frustrated by having the research projects of doctoral students wanting to do field work in the Soviet Union rejected by Soviet authorities.

Thus, whether the Soviet writings are dismissed for being determined more by ideology or foreign policy than by scientific considerations, whether the attitudes are based on direct knowledge of working conditions in the Soviet Union, or whether the scepticism is based on a knowledge of more of Soviet English-language propaganda than the best Soviet scholarship, the views of

liberal intellectuals in India are strikingly similar to those of their western colleagues, despite the unusually good relations of India with the Soviet Union and the pro-Soviet attitudes of the Indian elite.

(C) The Left Academics:

Little Information: It might be argued that these very anti-marxist-leninist attitudes are only to be expected from liberal academics brought up in the shadow of Oxford or Harvard. Their standards of scholarship are western and the better of them identify themselves as part of the international social science community. It comes as a surprise, therefore, that the large number of Left-wing political scientists, historians, and economists in India, harbour identical views towards the Soviet school of analysis though for somewhat different reasons.

One encounters as little informed knowledge about Soviet writings among radical as among moderate scholars. Whether formally members of one of the communist parties, ex-communists, or independent marxists, these intellectuals are less fellow travellers than parallel travellers: they are working with similar hypotheses, using similar concepts but not particularly interested in what their Soviet counterparts have produced. Take the case of Aurobindo Ghose a doctoral student at the Delhi School of Economics: a radical, he is working on Indian monopoly capital.⁹ When apprised of the Soviet work that has been going on for 15 years on the same subject in India, he was interested enough to want bibliographical references to any relevant English translations but was not excited to the point of wanting to go to Moscow to find out what has been achieved by Soviet scholars. A more senior colleague Krishna Bharadwaj is working on a political economy theory of development relating different modes of production in a global analysis without any direct knowledge of the large Soviet literature on this subject.¹⁰ Even a well known young radical economist like Nirmal Chandra, working on the definition of rural classes in East Pakistan, and who does refer in his writing to a Soviet book on this subject by Gankovsky and Gordon-Polonskaya, has had no intellectual contact of any kind with these authors apart from reading and citing their book.¹¹

Whether it is Paresh Chattopadhyay writing on State capitalism,¹² or Ranjit Sau trying to formulate the laws of development of the Indian economy,¹³ whether it is Ashwani Saith working on

the peasant economy,¹⁴ or Stephen Ganguli analysing Indian capitalism,¹⁵ the academics of the radical Left appear intellectually impervious to Soviet writings.

An examination of the references in the radical literature confirms this low degree of intellectual communication with Soviet sources. In a symposium edited by Mathew Kurian, "Alternate Policies for the Fourth Five Year Plan", in which a large number of marxist writers offered a critique of Congress planning, only two of the book's 257 footnotes referred to Soviet works.¹⁶

Low Credibility: Among Indian marxist scholars, this absence of Soviet intellectual output is less a result of ignorance than a series of individual rejections of Soviet work which has been seen at first-hand to be inadequate. While liberal intellectuals ignore Soviet writing out of disinterest, Indian marxists reject Soviet 'hacks' with emotion. Whereas the younger academics at the doctoral level are completely ignorant of Soviet work, their more senior colleagues, who have passed through the communist party in one or other of its former incarnations, have come to a very similar though more passionate scorn of Soviet scholarship than have the liberal intellectuals. Soviet intellectuals are not searching for the truth, they say; their work is politically controlled, so it is futile to study what they write; they are dogmatic, sterilely using pre-formed analytical frameworks; their scholarship is poor using random footnotes to pretend to seriousness.

This rejection of Soviet thought is not restricted to political economists. Marxist historians assume an attitude of amused tolerance in discussing Soviet historical work on India. While they appreciate and use some of the English translations of Soviet works on the Indian national movement — since these do accept colonialism as a reality and do not try to explain it away as do western historians — they show no real interest in Soviet historiography. For instance, they did not think recent Soviet thinking on the relevance to India of the concept of 'asiatic mode of production' was useful enough to translate into English.

Poor Personal Contact: Given the strength of these attitudes, it is no wonder that personal contact by radical intellectuals with Soviet scholars simply reinforces this rejection. Observation of the Soviet delegates at the large international seminar on "Imperialism, Independence and Social Transformation in the Developing Countries", simply reinforced these attitudes. The Soviet

delegates were felt to be highly political in their participation, applauding Indira Gandhi's path of state capitalist development for simple *raison d'état*. This hostility towards all things Soviet is considerably strengthened by the radical marxists' perception of the Soviet Union's policy towards India as that of backing the Congress Party in order to annihilate the Marxist Communist Party (CPM) — the one party that has been creatively marxism in *praxis* in West Bengal and Kerala. Even those on the Left who are not politically committed to partisan activity have been unimpressed by the quality of visiting Soviet scholars. At the Indian Statistical Institute in Calcutta, for instance, Soviet agronomists Rastayannikov and Maksimov are remembered as pleasant visitors but as not to be taken as seriously as, for instance, a foreign scholar like Daniel Thorner who has spent years in the field and talks with great personal expertise and direct knowledge.

(D) *The Centre Left CPI: An Oasis of Influence:*

One would think that among the pro-Soviet communists in and around the CPI (Communist Party of India), at least there would be considerable Soviet influence. This, after all, is the wing of the communist movement that has kept open its lines of communication with Moscow. Having succeeded in gaining access to the Congress-run government by electoral alliances and informal co-option into the government, it shares the same view on State capitalism as does the official Soviet line. As the most atrophied of the three communist fractions, could it not be expected to maintain its historical record of dependence on direction from Moscow? Once again, expectations are belied by research. Interviews with CPI intellectuals indicated that Soviet scholarly influence is as weak among the faithful as it is among the unconverted and the heretics of Indian communism.

Little Information: The level of information among Indian communists about Soviet writings on India is not perceptibly higher than the little knowledge displayed by other intellectuals. None of the CPI's leading intellects reads Russian so the informational sources are as restricted for them as they are for others — and no Indian is intellectually satisfied by the crumbs that fall occasionally from the weekly *New Times* and monthly *International Affairs*. As for translations of other Soviet writings, the party's organs are unable to handle such a task. The weekly

paper *New Age* has no space for reprints because of its limited resources. In any case the low rate of literacy in English and the few intellectual resources in the party make it practically impossible to have a serious ideological and theoretical CPI publication. Even the monthly *Mainstream*, known as a CPI-inspired magazine, which can afford good design and long articles devoted only 3 per cent of its columns to re-printing Soviet articles in 1971. Even if more Soviet indology were to be available in English, it is doubtful how much impact it would have on CPI thinking. As Mohit Sen, the party's leading theoretician, put it in an interview, Indian communists have been misled too many times by the errors of judgment and analysis, made by Moscow observers such as Dyakov and Balabushevich, for Soviet writing to enjoy the authority it did in the decade 1945-55. Once analytically bitten, twice ideologically shy. What is more, he complained, Soviet indology is not relevant to the party's day-to-day concerns since it comprises academic rather than political writings. More important, according to Sen, was the desire by the CPI to be intellectually independent of Moscow. Since the concepts and the methodology of marxism-leninism are universal, they feel no need for instruction in how to use the basic intellectual tools. These should be better applied by local communists to analysing the Indian scene than by foreigners working abroad — however superior their research resources might be.

Low Credibility: The unenthusiastic CPI attitudes towards Soviet indology are further explained by the CPI's general thinking concerning Soviet writings. Hiren Mukherji spoke with sadness of the 'shoddy' scholarship which the Soviet writers still demonstrate. Even for the pro-Soviet Indian communists, Soviet indology suffers from a large credibility gap. It is characterised by analytical wish-fulfilment, oversimplification of political problems, and imposition of stereotypes on the Indian reality.

Poor Personal Contact: Nor do the pro-Soviet Indian communists get more inspiration from their personal contacts with visiting Soviet scholars than do other Indians. Lack of Soviet support — not excessive control — was their complaint. Hiren Mukherji complained of the Soviets' failure to answer the serious allegations made against the USSR by revisionist and maoist critics. The Russians do nothing to offset their embarrassing image of a non-revolutionary power. Mohit Sen complains that

letters written to Soviet scholars remain unanswered, whereas letters to western marxists like Dobb or Sweezy receive a prompt reply. These complaints have been brought to the attention of the Soviet comrades. While Sen was careful to say that he was not charging the Soviets with intellectual colonialism, he clearly felt that his Soviet comrades were not much intellectual help to the CPI.

Objective data substantiate the CPI intellectuals' own reports that the Soviet influence on CPI thinking is equally low. Even though the propaganda campaign by the *Soviet Union* is thought by anti-communists to be colossal, such events as the world book fair held in New Delhi in March 1972 indicate that the Soviets' effort is not at all directed at communicating their political economy analysis of India to the Indians. True there was a large book display by Mezhdunarodnaya Kniga in which the CPI People's Publishing House (PPH) shared the space. Of the Soviets' English translations which are available for purchase, there was only one of any substance on Indian political economy. The rest were either propaganda brochures or reprints from Marx and Lenin. Even the Russian language books on display had no indology within their rank. It was as if the Soviets wanted to give the impression that they did no serious work on India in their own Academy of Sciences. This impression is not belied by the PPH catalogues. In its 1971-72 edition, the PPH catalogue lists only 12 Soviet books out of 115; of these 12, only three are about India. In the catalogue "Soviet Books in English 1972" 21 out of 725 titles concern the third world and of these 15 are on India, while 58 others are reprints from Marx's and Lenin's writings. In a third catalogue, "New Books in English and Indian Languages from USSR", none of the 214 titles is about India and only three are concerned with third world problems.

Consistent with the lack of serious intellectual input from the Soviet Union into Indian radical thinking, is the minimal contact that CPI thinkers have with Soviet academic sources. An analysis of the footnotes of the five most important recent books authored or edited by CPI intellectuals corroborate this psychological distance. Three books have no references at all to Soviet works. Two are collections of essays, "Das Kapital Centenary Volume", a symposium edited by Mohit Sen and M B Rao (1968), and "Homage to Karl Marx", a symposium edited by

P C Joshi of CPI (1969). The third, "Evolution of Agrarian Relations in India" by Bhowani Sen (1962), is particularly remarkable since the leading CPI expert on agrarian problems wrote a 295-page book on agrarian problems in India without making one reference to the translated work of Kotovsky not to mention other Soviet writings on the subject. Gautan Chattopadhyay's "Communism and Bengal's Freedom Movement" (1970) contains the largest number of Soviet footnotes of this group, though most of them are references to English versions of Soviet controlled press like *Inprecor* and *New Times*. Four of the 242 notes in "Society and Revolution: Essays in Honour of Engels" (1970) refer to Soviet material. Of the 1077 footnotes in the five PPH books under analysis, only 18 were from Soviet sources. When CPI leaders talk of wanting to be intellectually independent the autonomy of their printed work justifies their claim to considerable intellectual isolation.

The Barriers to Communication: If intellectuals Left, Right and Centre show the same pattern of little knowledge, low credibility and poor personal contact with Soviet intellectual sources, the prospects for increasing Soviet intellectual influence in India can hardly be considered rosy. Indeed, the efforts made by the CPI to establish some intellectual autonomy beyond Soviet apron-strings represents a trend visible throughout the academic establishment to reject foreign models and standards in favour of local approaches. On India's intellectual Left, for instance, an indigenous school of marxist scholars is crystallising. Although it is weakened by ideological and political cleavages, this collection of individuals is finding a corporate identity through occasional seminars held on specific issues and through an intellectual forum in the *Economic and Political Weekly* of Bombay which keeps the Left open to non-marxists and communicates the new marxist thinking to a wide public of government and political leaders. What makes this emerging Indian marxist school congenitally unresponsive to Russian intellectual production, is the perceived conservatism of Soviet marxism-leninism. Whatever its state of intellectual disarray, radical Indian thinking is not fossilised and would greatly resent the establishment orientation of Soviet writing which, it is felt, uncritically accepts the virtues of State capitalism for India.

A second obstacle in the way of any Soviet impact, is the fundamentally western orientation of all Indian intel-

lectuals — radicals very much included. Indeed, if any new ideas are to fertilise the indigenous marxist schools, it seems that they will have to come from the west. After the New Delhi seminar on "Imperialism, Independence and Social Transformation in the Developing Countries" it was westerners such as Magdoff and Andre Gunder Frank who were invited to tour the main campuses of the country — not the Soviet delegates. Nor do other indications within the Indian university system point to any potential increase in interest in Soviet society or Soviet thinking. There are few lecturers in Soviet politics — one in Bombay and one at Nehru University — and so, few courses on the Soviet system. While the USSR is included in the undergraduate courses on comparative politics, these institutional descriptions are at such a low level of sophistication that they cannot be counted on to raise the awareness of the new student-generations passing through the colleges. Whatever the curriculum, there will have to be a vast extension of English translations of Soviet political economy output on India, for the Soviet school to make an intellectual impact upon the undergraduate level. As it is, the handful of English translations of Soviet works are put on university library shelves, not on course reading lists. Since the Indian government has some influence in setting priorities for the translations of Soviet books, the overwhelming preponderance of English language Soviet books available in India are technical and scientific texts rather than works in political economy: only 72 of the 725 Soviet titles offered in English translations by the People's Publishing House in 1972 were on political economy, while 318 were on scientific and technical topics. The declining level of students' competence in English at Indian graduate schools, makes even the availability of Soviet texts in English a doubtful instrument for achieving a Soviet intellectual breakthrough. If authoritarian learning behaviour is perpetuated, and if conformism rather than originality is encouraged among politics teachers, it would be optimistic to predict that any foreign schools of thought will become attractive by virtue of their distinctiveness. On the contrary, the fact that they do not adhere to the ritualised formulae of mediocre professors will condemn Soviet thinking to more decades in the cold.

The low degree of interest in studying foreign systems in general, and the Soviet Union in particular, reflects both the current academic climate in India

and the educational priorities expressed by senior personnel in the Education Ministry. The possibility that Soviet aid to the Indian educational system could affect curriculum development seems remote. The Indian Institute of Technology, constructed with Soviet aid in Bombay, has the same curriculum as the other IITs established with other nations' aid, and the Soviet instructors have already been withdrawn.

Books are not the only way to convey Soviet thinking. Articles can equally well be translated. Their impact might be greater if they are published in non-Soviet journals. But an examination of the Indian press does not reveal it to be an effective communication channel for Soviet thinking. For the calendar year 1971, no Soviet articles appeared in the Indian daily press. The *Economic and Political Weekly* has never carried a Soviet article in translation. It is not surprising that *People's Democracy* and *Frontier*, which express viewpoints close to the QPM, should not have reprinted any Soviet articles during this period. *New Age*, the organ of the CPI, only reprinted 800 words of Soviet texts, or 0.05 per cent of its columns for the year; whereas *Mainstream*, the major carrier of Soviet articles, only published 39,500 words of Soviet material — just under 3 per cent of its year's total material. Direct Soviet distribution of news and commentary may get more words into the hands of Indians, but not into their minds. The number of interviewees who reported they throw Soviet embassy news hand-outs unopened into their wastepaper baskets, was a reminder that the credibility of Soviet writings must first be established by dissociating it from its official and propagandistic images in the Indian mind.

Nor is foreign language training likely to make a radical change in the general situation. The number of Indians with a reading knowledge of Russian has increased to several thousand, but the professional separation of language competence from social science expertise reduces the likelihood that these language graduates will provide a channel for communicating Soviet social science to Indian thinking.

No one has assessed the political impact of students returning from Moscow's Lumumba University whose Indian recruits are chosen by such CPI-dominated organisations as the Indo-Soviet Friendship Society and Indo-Soviet Cultural Society. There is no evidence that these repatriated marxist-leninists would be even as radi-

cal as graduates returning from American or British universities, where they can frequent revolutionaries unrestrained by Soviet Victorian discipline. There is little likelihood that the increased cultural exchanges between India and the Soviet Union, as envisaged by the 1971 Indo-Soviet Treaty, will alter this generally unreceptive atmosphere. Even the prospect of increasing numbers of Indian students spending years in the Soviet Union does not imply that much intellectual cross-fertilisation will take place. Samar Sen, editor of the radical monthly *Frontier*, reported that he had no contact with Soviet indologists during the five years he spent in Moscow. Although he was a translator of Soviet works into Bengali, he felt his command of the Russian language was inadequate to engage in serious economic or political discussion. Even if these barriers of language and distribution disappear, it would take a major revolution to break the cultural interpenetration of the Indian elite with the Anglo-Saxon world and to create a sufficient integration of the Indian with the Soviet worlds to bridge the historical gap that has kept these neighbouring peoples apart over the centuries.

This is not to say that no shift of values is possible in India. A de-westernisation of the Indian academy is already taking place. Still, this process is itself largely stimulated by the intellectual contribution of western radicals whose critique of western society and its social science is finding a response among the better Indian intellectuals.¹⁷ The simple assumptions behind modernisation and development theories are being challenged, and even liberal economists brought up in western schools are becoming aware of the narrowness of their intellectual horizons. Since the Soviet school remains dedicated to growth and industrialisation, it is unlikely to appeal to the new wave of thinking which talks the language of eco-systems and zero growth rates. Thus, for reasons of history and circumstance, of ideology and prejudice, of communication and contact, the influence of the large school of Soviet indology on Indian thinking is so low as to be negligible and it shows no prospects of discernible increase.

It is one thing to influence another nation's thought patterns; it is another to have an impact on its policy processes. Having determined that the Soviet theoretical influence in India is low, one can still ask what has been the influence on India's governmental processes of this super-power neigh-

bour — which has given the country unique international support, has opened up precious new trading relations, has provided a model for economic planning, and through its large-scale aid projects to the public sector has enabled the country to establish new economic institutions. Even if India's intellectuals still revolve in an essentially western milieu, it is surely possible that Indian *praxis* better reflects the country's position as a non-aligned country at a strategic crossroad between the socialist and capitalist worlds.

II

Low Soviet Impact on the Indian Political Process

To establish whether a foreign power has had a significant impact on the political processes and policies of another country is somewhat easier than to identify what impact it has had on the country's thinking. Behaviour can be discerned, both on the part of the country under examination and of the foreign power. Movement of personnel between one country and the other can be observed and their inter-action documented. Analytical problems arise nevertheless. How can one tell, for instance, whether India would have done what it did regardless of the Soviet Union? How can one decide whether observable impact by the Soviet Union on India is normal, more, or less, than one would expect between neighbouring countries one with super-power status and the other with major political and strategic interests in the Asian continent? Whether one looks at the Soviet impact on Indian practice, in its external dimensions of foreign policy and trade relations or on the internal plane of the planning process and policy in the public sector, the Soviet impact appears to be far less than might have been expected — given the extent, intensity and duration of the close economic, diplomatic, and military links between these two contiguous powers.

THE EXTERNAL SOVIET-INDIAN RELATIONSHIP

In the simplest sense, the Soviet Union has an obvious impact on Indian foreign policy. The reversal of Soviet world policy following Stalin's death — in particular its new open-arm approach to independent third world countries — dramatically changed India's international position. Nehru's triumphal tour of the Soviet Union in 1955 and the Khrushchev-Bulganin return visit to India in the same year dramatised

the USSR's adoption of Nehru's India as a progressive leader of the non-aligned world. India's new bilateral relationship was expressed economically by the signature of successive trade agreements which doubled and re-doubled Indo-Soviet trade.

Indians appreciate their Soviet trade relationship: the windfall benefits of markets that compete very little with other, already saturated foreign markets. It gives Indian manufactured goods a sheltered trial area for development before attacking western markets. It allows imports without expending foreign currency and provides alternative sources at competitive prices for imports of both equipment and needed raw materials. On reviewing this relationship over a 20-year period, there is little evidence that it re-oriented India's foreign policy toward the rest of the world to the extent that the Soviet policy change might have led the Kremlin to expect. While it is true that Nehru's non-alignment would have been lopsided if the Soviet Union had refused to co-operate, it is also true that India had proven its independence of western control and influence before the Moscow *colle face* of 1954-1955. India had already been critical of American expansionism in Korea during the days of high Stalinism and had shown its ability to keep its distance from Britain by rejecting Dominion status in favour of becoming a republic within the Commonwealth.

Evidence that the Soviet relationship has restrained Indian behaviour in international crises, most notably over Suez (1956) and Czechoslovakia (1968), is not seriously questioned.¹⁸ The record also shows that, even if India's non-alignment has been pink, India has sided with the United States one out of every two times that it has sided with the Soviet Union against the USA on issues when the super-powers were in direct conflict at the United Nations.¹⁹ Even so dramatic a new development as the Indo-Soviet Treaty of 1971, is considered on balance by observers of the Indian scene to have had the effect more of freeing India to pursue its own external objectives — the liberation of Bangladesh under the umbrella of Soviet nuclear deterrence against China — than of inhibiting her foreign relations.

Since the Soviet Union was the first major centrally-planned economy with which India undertook large-scale economic relations, one might have expect-

ed that certain changes would be made in New Delhi's economic institutions to manage its new bilateral trade relationship. One could also have expected that the nature of trade negotiations between India and a socialist country would be different in kind from its economic relations with the private enterprises of the western capitalist economies.

Opinion differs about whether the State Trading Corporation was established in 1956 exclusively, primarily, or only partially, to adapt Indian trade to the institutional characteristics of the centrally-planned economies. No one interviewed on this question denied that the Soviet trade relationship had a causal impact on establishing the STC. As a former manager of the STC put it, the Soviets gave a 'fillip' to the direction that Indians wanted to take in any case. What is more surprising in this regard, is the absence of Soviet collaboration with Indians in setting up the institutional mechanisms for Indo-Soviet commerce. According to an academic observer closely involved with the Institute for Foreign Trade over the past decade, the Indians had to learn by experience how to adjust to the Soviets' ways of working and trading. No Indian trainees were sent to the Soviet Union. No Soviet experts came to work with Indian civil servants. In fact, it continues to be the Indian embassy in Moscow which provides the major information on Soviet trade mechanisms for the benefit of Indian foreign trade personnel in New Delhi.

Soviet negotiators are reported by Indian officials to be tough bargainers who are not out to do India any favours but operate under the slogan 'business is business'. This does not imply that the Soviet trade relationship is less valuable than has been claimed. What does undermine the hypothesis, that the Soviet trade relationship decisively changed the nature of the Indian public sector, is more recent Soviet behaviour which has turned from dealing through the Indian public sector commercial enterprises such as the State Trading Corporation to operating directly with Indian private firms. Soviet pressure brought to bear on the Indian government to prevent the nationalisation of the New Delhi distributing agency that was handling Soviet imported tractors, indicates that the Soviet relationship may now have a negative impact on the socialisation of the Indian economy. Such evidence is strengthened by the frequently voiced (though insufficiently documented) allegation, heard especially from economists and businessmen, that

Soviet traders prefer to deal with the less respectable businessmen with some reputation for illicit operations. Even if the 'ugly Soviet' image that is developing in the country bears little relation to the reality of Soviet performance in India, the reduced esteem for Soviet aid can be expected nevertheless to reduce the political impact that Indo-Soviet economic relations might otherwise have.

INTERNAL POLITICAL PROCESSES

The fact that the Indophilia of post-Stalinist Soviet policy had less impact on India's external policies and institutions than was anticipated, does not preclude the possibility that the Soviet Union has had an important influence on Indian policy-makers — both in their conceptualisation of the State's role in planning and in the construction of the Indian public sector. After all, Nehru never hid his admiration for the socialist (as opposed to the repressive) features of the Soviet system. Before coming to power, he often referred in his speeches and writings to the Soviet experience as a model for India: "So far as I am personally concerned," he said in a speech given in London on February 4, 1936, "I very largely approve of the Russian system of government and I hope some such thing will extend to India."²⁰ After almost 10 years in power, when the basic structure of the Indian political and economic system had been assembled, he told Frank Moraes that "the Soviet experiment didn't come in the way. On the contrary, it helped our thinking."²¹

Interviews with present-day planners and architects of Indian planning, indicate that Nehru's 1930-image of Soviet industrialisation and planning may have been the most important channel through which the Soviet model had its limited influence on policy formulation in independent India. Talking on the debates on the heavy industry approach taken by the famous Second Five Year Plan (1956-61), former Finance Minister C D Deshmukh recalled that there was not much Soviet input in their policy thinking in the late 1940s. The pro-Soviet thinking of Nehru was vague and ill-defined. A commitment to a major role for the public sector in infrastructure and heavy industry development had already been made by the Tata-Birla plan produced for the Indian National Congress in 1944 by the big capitalist wing of the Party. The acceleration of industrial development, through an interventionist State investment and planning activity, was thus conventional wisdom

for the new leadership of independent India.

This does not mean that Soviet experts did not participate in the background thinking for Indian planning. One Soviet economist, M I Rubinstein, was invited by P C Mahalanobis to join the group of renowned foreign economists whom he had assembled at the Indian Statistical Institute of Calcutta to provide a brains-trust for conceptualising the planning system. Reports vary about Rubinstein's effectiveness in this assemblage of world expertise. Those who were favourably impressed by his contribution, still rate it lower than that of Oscar Lange from Poland or Charles Bettelheim from France — both marxists who were stronger in intellect and more respected in their policy advice. According to C D Deshmukh, Joan Robinson was the most influential foreign economist with her Left-leaning sympathies and her theoretical rigour. The most generous assessment of Soviet policy influence came from P C Mahalanobis himself, who went to Moscow as early as 1952 to consult Soviet Planning experts. Such economists as Strumilin and Varga gave him strong advice — but in the direction of not going too far with forced industrialisation. Recalling the Soviet scissors crisis of the late 1920s they advised against too much nationalisation, against too large a steel target for the Second Five Year Plan, and even supported Mahalanobis's inclination to support small-scale cottage industry at the same time as heavy industrialisation was proceeding. Asked whether the Second Five Year Plan would have been different without this Soviet participation, Mahalanobis replied that it was helpful to have their sympathy at the top level, "like airforce cover for the army". Thus, rather than pushing the Indians into radical action, Soviet influence on the Indian planning system was first to popularise the general idea of planning among Nehru's colleagues, second to restrain Indian policy planners from over-enthusiasm, and third to provide both internal political support through their private conversations with Indian leaders and external ideological assistance through their public writings in the Soviet press.

This supportive participation in the Indian plan formulation was the high point of the Soviet's involvement in the Indian policy process. It is true that Rubinstein was followed by a number of Soviet statisticians who visited the ISI. Their contribution, however, was academic: they gave papers on Soviet

statistics, but not advice on Indian practice.²² Rubinstein thus remains the sole Soviet economist who had any personal involvement in the planning of Indian planning — a participation that must be contrasted with the Ford Foundation team of American economists who still have official status as members of the Planning Commission, despite the officially cool relations between the US and India. It is, in fact, only with some difficulty that economists can be found in the Planning Commission, who are even interested in either what the Soviets write about India or what the relevance of the Soviet industrialisation debate of the 1920s might be to India's industrialisation problems. Whether it is a feeling that Indian planners are highly sophisticated economists themselves or that modern Soviet problems are quite different from those of India, even P C Mahalanobis expressed no desire for further Soviet intellectual participation since the formulation of the Second Five Year Plan. Since the basic plan formulation was completed, he felt, the Soviets had more to contribute by capital assistance to specific public sector projects.

It is indeed obvious that the Soviet Union has had an impact on the Indian economic process through directing its aid effort primarily to large industrial projects in the public sector. The Bhilai steel mill, like the Aswan Dam, is an international symbol of Soviet aid. The question that concerns us here, is whether these public sector aid projects themselves have had an impact on the Indian policy process. By helping the Indian government develop a publicly owned oil industry which the western oil cartel refused to permit India, Soviet aid has clearly affected the shape of the Indian economy in that industry as in other industries where it has helped construct public sector enterprises. By training Indian engineers to take over management of these enterprises, it has also helped the Indian economy to sustain the operation of these projects and, in some cases, to expand their activity. These statements can, of course, also be made of aid relationships by other countries with India; but the major difference is that Soviet projects have related more to the public industrial sector than to infrastructure projects in the public sector.

Apart from this important distinction there seems no tendency for these projects, whether taken individually or as a whole, to affect the Indian policy process in the public sector. Discussions with managers of public sector enter-

prises and with senior civil servants or politicians responsible for them, indicated only a qualified enthusiasm for Soviet aid projects. Repeatedly the point was made that the Indians had gone to the Soviet Union for aid in building a particular public sector enterprise only when western countries had turned down Indian requests. The price of getting Soviet support for a particular project was accepting less sophisticated and less up-to-date technology. The resulting lower efficiency constituted an economic sacrifice generally balanced by the positive contribution the enterprise made to the economy. Many irritating examples of bad planning rattle in the Indian policy-makers minds: the surgical instruments factory that has still not sold any of its products on the Indian market; the roof design of the Bokaro steel mill built in a tropical area yet constructed to withstand six feet of snow. The ideological euphoria with which Soviet writers discuss these projects contrasts sharply with Indian views on them. A striking example is the State farm at Suratgarh which, in Soviet writings, is seen as a model farm for collective farming but, in the view of its manager, Congressman Krishna, has no ideological significance beyond its practical purpose as an experimental farm producing the seed grains needed in Indian agriculture.

This evidence makes it necessary to qualify the conclusion by Eldridge, among other scholars that, because "the forms of Soviet aid to India have proved mutually convenient the political impact of Soviet aid on India has for this reason been out of all proportion to its amount".²³ It does not follow that because there is "a general bias of opinion at the senior administrative level in favour of the Soviet Union"²⁴ friendliness towards a neighbouring state has led to a proclivity to adopt its institutions and processes. Quite on the contrary, there is no evidence at all of the policy spin-off from the excellent diplomatic and economic relations between the Soviet Union and India that will soon enter their third decade. Whether there has been a significant pay-off in terms of Soviet influence among senior Indian policy advisers, civil servants, government leaders and businessmen still remains possible and worth investigation.

THE HEARTS AND MINDS OF INDIAN POLICY-MAKERS

Outside the Ministry of External Affairs, which devotes some resources to monitoring and responding to Soviet

writings on India, there was no evidence from our interviews of Indian policy-makers of any knowledge of Soviet thinking about India and even less interest in the relevance of Soviet practices for Indian problems. Interviews at the Secretary or Joint Secretary level elicited views which were hostile to the jargon of marxism-leninism, critical of what was considered / erroneous class analysis not corresponding to Indian reality, or impatient with Soviet writings if they did not have concrete recommendations to make on specific policy issues. All civil servants and advisers interviewed were glad of the Soviet commercial and diplomatic relationship with India; none indicated any expectation that he would find any theoretical or practical help from Soviet indologists in dealing with his current policy issues.

This does not mean that there is no radical thinking in the Indian civil service. But prominent advisers, known for their radical background, have little intellectual contact with Soviet marxism-leninism. Marxist radicals with a strong commitment to achieving an egalitarian society have even less contact with Soviet thinking. One such government adviser, Arun Ghosh, has developed a coherent argument for the more effective and aggressive use of the levers of State control by an extension of welfare and liberal economic theory to achieving socialism and reducing the role of the private sector. In working out his case, he has responded pragmatically to the problem of the 1970s with no reference at all to marxism theory or Soviet writing.²⁵ Lack of interest and expectations concerning Soviet thinking is not just a linguistic problem. Wolf Ladejinsky, a well known student of Indian agrarian problems whose mother tongue is Russian and who works for an international organisation in New Delhi, had no knowledge of Soviet writings, no interest in finding out about them, and no concern with what their recommendations might be. Underlying this dismissal of Soviet thinking among senior policy-makers is the perception that ideology is far less important than *raison d'état* in determining whether the relations between the Soviet Union and India prosper. Allied to this lack of concern with Soviet writings is the sense of confidence, particularly noticeable in the Ministry of External Affairs, that, whenever problems arise between the two countries, they can be resolved by direct negotiations.

The complete divorce of government

was best expressed by Mohan Kumaramangalam, the Minister of Steel and a member of Indira Gandhi's inner cabinet circle. Although a member of the communist party from 1935 to 1956, he does not read Soviet writings or have direct knowledge of Soviet thinking about Indian economics. While grappling with the problems of increasing the efficiency and productivity of both public and private sectors in the steel industry, by creating a new holding company²⁶ that could exert complete control over the whole process of production from mine to ingot, he had no inkling of what the Soviets might be thinking of such a new venture. Still expressing a strong interest in socialist goals, he was more concerned with raising the standard of living of the mass of Indians than expanding the State sector for the sake of ideological purity.

A sense of balance between form (ideology) and content (policy) characterises Indira Gandhi's handling of the overall Indo-Soviet relationship. Interviewees including most businessmen were pro-Soviet since the USSR had just proved itself in the time of need during the Bangladesh liberation to be indeed a true friend of India. Despite real Indian gratitude for such consistent support, there was general sensitivity to the danger of dependence on the USSR. Interviewees were generally confident that Indira Gandhi was never going to accept any serious dependency and that, should the Soviets abuse their influence, the whole relationship could be broken off overnight. This co-existence of great friendliness with an underlying distrust is one part of the double contradiction on which the dynamic of India's non-alignment is based. Although attitudes towards the USSR as an international power are warm and friendly, attitudes towards the Soviet system and ideology are hostile and suspicious. The Indo-American relationship shows an equal but opposite contradiction. Attitudes towards the US are almost universally hostile: the Americans who refused to build Bokaro and whose re-arming of the Pakistani army forced India to divert scarce resources to its own military forces are seen at every step to be undermining India's position. This anti-Americanism seems as superficial as the pro-Soviet feelings. Whether it is *Time* magazine, "Future Shock" or the latest Harvard University Press publication, the reading material of Indian leaders, moderate or radical, betrays their basic westernisation that is far too ingrained to be fundamentally damaged by the blunders of American foreign policy. Whether

this double contradiction is a conscious policy or not can be debated. What seems an inescapable conclusion is the usefulness to those in power of this double dissonance. The superficial anti-Americanism, which is managed carefully by press manipulation and the government's activation of trivial issues, combined with the superficial pro-Soviet views of the public make an effective instrument for continually re-gliding the government's and the leader's progressive image; simultaneously ingrained anti-Soviet attitudes provide an insurance against any uncontrollable shift to the left on the Indian scene. At the same time, the pro-western attitudes of the Indian elite allow the leadership to maintain India in its various international economic, political, academic and scientific relationships, thus keeping India abreast of the latest developments in the world community. The low impact of Soviet writings and policy on Indian thinkers and policy-makers may also work to the advantage of the Soviet government, which is more concerned about stability and influence in the subcontinent than ideological converts or policy disciples. While not flattering to Soviet ideologists, India's cool reaction to marxist-leninist ideas may be the best condition for a continuingly healthy long-term relationship of that country with the Soviet Union.

The evidence appears conclusive that, if the influence of marxist-leninist thought is to grow in India, it will be less because of external stimulation, whether from Moscow or any other communist capital, than from the indigenous flowering of a local communist praxis of the type seen in Kerala or West Bengal.²⁷

The impact of Soviet development writings on other countries of the third world cannot, of course, be deduced from the Indian case. Experience has already shown one case in the person of Fidel Castro who was so attracted by marxism-leninism that he declared himself a communist and was admitted to the socialist camp. Others such as the UAR have practised the non-capitalist path which the Soviets preach while invoking Allah rather than Lenin as doctrinal source. Chile presents the example of a country with an autonomous marxist tradition, independent of the marxist-leninist school. In some of the younger States the elite is much narrower than India's and so possibly more amenable to foreign made analysis. In the Latin American countries which have enjoyed political, if not economic, independence

for generations, there are national intelligentsia that consider themselves best suited to work out the solutions to their own problems. In sum, while it is probable that the fortunes of marxist-leninist thought will wax and wane in different countries of the third world, it is unlikely that a critical variable will be the intellectual content of Soviet scholarly and semi-academic writings. The Soviet school of third world studies has many problems to overcome; but its path of development now seems more likely to be in the direction of flowing into international academic basins than towards the revolutionary waning trough.

Notes

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- 2 Wolfgang G Friedmann, George Kalmanoff and Robert F Meagher, "International Financial Aid", New York, Columbia University Press, 1966, pp 498.
- 3 John H Kautsky, "Moscow and the Communist Party of India: A Study in the Postwar Evolution of International Communist Strategy", Cambridge, Mass, The Technology Press of Massachusetts Institute of Technology, 1956, pp 220.
- 4 Bhabani Sen Gupta, "Communism in Indian Politics", New York, Columbia University Press, 1972, pp 455.
- 5 Peter Sager, "Moscow's Hand in India: An Analysis of Soviet Propaganda", Berne, Swiss Eastern Institute, 1966, pp 22.
- 6 Half of the interviewees received by mail in advance a copy of a paper written by this author on the Soviet Model of Development for India. The others received a summary of this paper or had read it as printed in this journal, (March 22, 1972). In addition to the 101 direct interviews the author had contact with 104 other Indian academics in groups devoted to discussing the Soviet model for India, 66 at three formal papers presented by the author (one in Jaipur and two in New Delhi) and 40 at four discussions held on the same subject (one in Allahabad and three in Delhi). These discussions were with groups who could be presumed to be among the most knowledgeable and interested in Soviet writings and the Indo-Soviet relationship. Since there is no clearly demarcated elite 'population' of which a scientific sample could be made, the research strategy was to talk with all those Indians at the upper leadership levels with a possible serious interest in the Soviet view. As the expertise of the interviewees ranged from the Planning Commission to the Ministry of External Affairs, from Indian Oil to the State Trading Corporation, from the

Delhi School of Economics to the School of International Studies, Nehru University, from the radical weekly *Frontier* to the moderate *Times of India*, no attempt was made to impose a standard interview schedule. With the general subject matter defined by the author's paper on the Soviet Model for India, the discussions ranged widely depending on the interests of the subject who was questioned on whatever aspect of the Soviet relationship that was relevant to his own professional or ideological position.

- 7 Kuldip Nayar, "Between the Lines", New Delhi, Allied Publishers, 1969, p 119: "Had New Delhi not been dependent on Moscow for arms, it... might have moved away from the Soviet Union as happened in the case of the USA when it started giving arms to Pakistan."
- 8 Syllabus on International Relations and Area Studies and Books Recommended (1970-71), School of International Studies, Jawaharlal Nehru University, pp 121, mimeo.
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- 17 Rajni Kothari, 'State-Building in the Third World: Alternative Strategies', *Economic and Political Weekly*, Volume VII, Numbers 5,

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- 18 Kuldip Nayar, *op cit*, p 101.
- 19 P J Eldridge, "The Politics of Foreign Aid to India", London, Weidenfeld and Nicolson, 1969, pp 203-204.
- 20 Jawaharlal Nehru, speech given in London, February 4, 1936.
- 21 Frank Moraes, "Jawaharlal Nehru", p 473.
- 22 "Planning and Statistics in Socialist Countries", Number 19 in Indian Statistical Series, Calcutta, Asia Publishing House, 1963.
- 23 Eldridge, *op cit*, p 174.
- 24 *Ibid*, p 180.
- 25 S Mohan Kumaramangalam, 'A New Venture: A Holding Company for Iron and Steel', *Socialist India*, Volume IV, Number 13, February 19, 1972, pp 13-14.
- 26 Arun Ghosh, 'On the Economic Theory of Socialism: An Exercise in Value Theory and Its Applicability to Indian Conditions', *Economic and Political Weekly*, Volume VII, Number 9, February 26, 1972, pp 511-516.
- 27 Bhabani Sen Gupta.

Swadeshi Polytex

SWADESHI Polytex, which recently launched its 'Jailene' polyester staple fibre, has already secured orders from several mills all over the country, including an order worth Rs 60 lakhs from the Mafatlal group. Swadeshi's Rs 15-crore 'continuous process' plant, set up at Ghaziabad in technical collaboration with Zimmers of West Germany, has started with the finer 1.5 denier — unlike other makers in India who, according to managing director S Jaipuria, had commenced production with the coarser deniers like 3 and 2.2. The company will also manufacture 1.2 denier high tenacity fibre, demand for which is at present met mostly by imports. Jaipuria claims the quality of his company's fibre is comparable with the best produced anywhere in the world. Commercial production at the plant started in mid-March last, in less than 20 months of effective working. The company is opening a depot at Ahmedabad to render prompt service to customers. A technical services division, manned by highly qualified technologists, has been set up with branches at important centres in the country to render on-the-spot advice and assistance to mill technicians for successful processing of 'Jailene' blends on mill floor. A well-equipped physical and chemical testing laboratory has been established at the plant site to ensure quality control.

Estimate of Household Sector's Savings in Fifth Plan

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In the Planning Commission's Approach to the Fifth Plan, a new procedure has apparently been adopted, different from the methods previously used by the Central Statistical Organisation and the Reserve Bank of India, for estimating that part of household saving (generally between 40 per cent and 50 per cent, going by recent estimates) which is invested in tangible assets within the sector. The account of this estimation procedure provided in the Approach document requires clarification.

IN the Approach to the Fifth Plan, 1974-79 [1], the Planning Commission has made one notable departure from past practice, in conducting the saving-investment exercise in terms of gross rather than net saving and investment. This is appropriate in view of the importance of depreciation provisions as a form of saving, and the arbitrariness of any attempt to measure the precise component of capital expenditures corresponding to replacement.

However, we are concerned in this note with the Planning Commission's estimate of the saving of the household sector over the Fifth Plan period. Here also a new procedure has apparently been adopted, different from the methods used previously by the Central Statistical Organisation and the Reserve Bank of India, for estimating that part of household saving (usually between 40 per cent and 50 per cent in the past, if we are to go by recent estimates [4]) which is invested in tangible assets within the sector. The account of this estimation procedure provided in the Approach document seems to require clarification.

The exercise of estimating the financial resources for the Fifth Plan, whose results are described in Chapter VII of the document, has been conducted in a flow-of-funds framework. The main sectors distinguished are: the public sector, consisting of central and state governments and non-financial public enterprises; the private sector, consisting of the non-financial private corporate sector, the non-credit co-operative sector and the household sector (including unincorporated enterprises); financial institutions (public and private); and the rest of the world. The household sector is the main 'surplus' sector, in the sense of saving in excess of its own investment in real assets, and, along with the rest of the world, it finances the 'deficits' of the government and private corporate sectors — in the case of the household

sector, mainly through the medium of financial institutions. The estimated saving of the household sector constitutes about 53 per cent of the total investible resources (domestic saving plus foreign borrowing) projected for the Fifth Plan period, while its estimated investment in real assets is about 22 per cent of the total.

For any sector, the following accounting relation can be written, based on the identity of its total incomes and outgoings on capital account:

$$S = I + FU - FS,$$

where S = gross saving of the sector, I = gross investment by the sector in tangible assets, FU = its financial uses of funds and FS = its financial sources of funds. FU may be defined as the net increase in its financial assets, with decreases in assets treated as negative uses, and FS as the net increase in its financial liabilities, with decreases in liabilities treated as negative sources; alternatively, decreases in liabilities may be treated as uses and decreases in assets as sources. Further, the flows FU and FS may be measured at various levels of netness or grossness, depending on the degree to which positive and negative elements are offset against each other in their construction — for example, lending by one sector to another against borrowing by the same sector from the other, increases in a sector's holding of some assets against decreases in its holdings of other assets, or the lending against the borrowing of different sub-sectors of the same sector, whether between themselves or with another sector. A greater degree of grossness is often desirable as conveying more information, and of course makes no difference to the figure obtained for the net flow, FU — FS, indicating net uses, or net sources (if negative), for the sector. In India, the household sector is treated as the residual sector in the estimation of financial flows, so that no intra-sector transactions can be

identified. This prevents, among other things, any examination in this framework of the activities of indigenous bankers and moneylenders (who are included in the sector) and of their role in the process whereby the positive savings of some households are absorbed in covering the dissavings of others.

A sector's net financial uses (sources if negative), FU — FS, must be equal to its 'non-financial surplus (deficit)', S — I, from the accounting relation above.

The Approach document estimates FU for the household sector (defined as the net increase in its financial assets) as Rs 19,105 crores (at 1971-72 prices) for the Plan period, and FS (defined as the net increase in its financial liabilities, or borrowing net of repayments) as Rs 4,885 crores. Hence net uses by the sector, FU — FS, are estimated at Rs 14,220 crores, and this represents the sector's non-financial surplus, and the net transfer of its savings to other sectors.

ACQUISITION OF TANGIBLE ASSETS

While data on financial flows exist which permit a reasonable estimation of the financial component, FU — FS, of household savings,¹ the same is not true of the other component, representing the sector's acquisition of tangible assets. Earlier attempts have been made to estimate this independently, using the commodity flow method or other procedures.² However, in the Approach document, and preceding that in the Fourth Plan Mid-Term Appraisal [2] the estimation seems to be attempted from data on the financial flows themselves. It is here that the Planning Commission's account of its procedure seems to be unsatisfactory.

The Approach document states (p 33):

"As regards the household sector's acquisition of physical assets, that is

its direct investment, a rough guess has been attempted from the side of availability of resources on account of lack of the requisite data. Household investment in the Fifth Plan period will be financed from four main sources: (1) net borrowing from other sectors; (2) realisation of claims on Life Insurance Corporation; (3) refunds and withdrawals from provident funds; and (4) financial saving minus the amount absorbed in accumulation of financial assets. The total amount available for financing direct investment has thus been estimated at Rs 9,850 crores. This has been assumed as the likely order of the household sector's saving in the form of physical assets."

As it stands, this is a curious statement. The estimation of investment from its sources of financing might be interpreted as a use of the previous accounting relation, which we can restate for the purpose as:

$I = S - FU + FS$, particularly as source (1) enumerated in the statement seems to be FS, and source (4) seems to be $S - FU$.³ But sources (2) and (3) are particular (negative) components of FU, so the 'amount absorbed in accumulation of financial assets' in (4) must be interpreted as FU without the deduction of these items, if these 'sources' are not to be counted twice over.

However, one relationship cannot be used to estimate two unknowns, and in the enumeration above of sources for financing investment, one source — saving — is itself the unknown which we are supposed to be estimating. Hence we seem to see the Planning Commission starting with the estimation of saving as net financial accumulation plus direct investment, and then running round the back of the problem to come out on the other side estimating investment as saving remaining after net financial accumulation. Consequently the figure of Rs 9,850 crores for investment emerges without any visible basis, along with the figure of Rs 24,070 crores for saving which follows in consequence. If the investment figure has been obtained by some independent estimation procedure (such as any of those referred to earlier), saving will of course be obtained from the accounting relation as a residual; or if saving is independently estimated, investment will be similarly obtained. Otherwise from the figures for FU and FS and the accounting relation, only the non-financial surplus $S - I$ can be derived and not either of its components separately.

However, use of the accounting relationship, since it is one which obtains

among all the elements of the capital account, requires a complete enumeration of the sources for financing investment; an identification of the 'main sources' would be meaningless in such a context. It could be meaningful in the context of a different type of procedure, which is based on relationships which often exist between certain specialised financial flows and particular types of expenditure. For example, if investment in urban housing were known to be financed almost entirely by mortgages, then data on mortgages would furnish a meaningful estimate of this type of investment. This would be so even if it were known that a given proportion of this expenditure was financed by mortgages. Logically, this is to add to the accounting relation an empirically testable relationship between certain financial flows and certain non-financial outlays in the capital account. However, this procedure can be applied meaningfully to particular categories of expenditure and to specialised financial claims; it becomes less plausible when extended to global expenditure categories like tangible investment, which have correspondingly generalised sources of finance — including savings itself to start with. Even sources (2) and (3) — matured life policies and provident fund withdrawals — while specific enough in one sense, seem curious candidates for this particular emphasis. For one thing, their magnitude does not seem to qualify them for inclusion as 'main sources'.⁴ For another, normal considerations from the theory of consumption behaviour would suggest that such receipts are primarily used for consumption expenditure, since they, or rather their annuity equivalents,⁵ are more analogous to income receipts, whose role in the life-cycle is such that the average and marginal propensities to consume from them approximate unity. Similarly, while net borrowing from other sectors may be mainly for investment purposes (since the main sources of consumption loans are within the sector), nevertheless some of these loans can be identified as extended for consumption purposes.⁶ In the 'accounting procedure' discussed above, for obtaining investment as a residual, these considerations would be irrelevant, since borrowing or asset realisation used to finance dissaving would imply equivalent netted-out positive saving by other households available to finance investment. However, for the 'specialised flows' procedure outlined in this paragraph, such sources would have to be excluded.

AMALGAM OF TWO APPROACHES

The Approach statement as it stands seems to be a confused amalgam of the two approaches, which its reference to 'main sources' but an apparently comprehensive enumeration, and its inclusion in the enumeration of some highly general categories along with certain specific ones. In any case it leaves one no clearer about how the estimates given for household saving and investment were actually arrived at.

An extension of the 'specialised flows' procedure would be to posit some proportionality or other relationship between certain specified sources of finance and the expenditure being estimated, or equivalently, some ratio between the use of these and other sources in financing the expenditure. Again, this is to add a second independent relation — institutional or behavioural — to the accounting identity already presented, so that two independent relations are available for the estimation of the two unknowns, saving and investment. This is essentially what was attempted in the Mid-Term Appraisal. Here (pp 28-29) it is stated that:

"Direct investment by households ... is made up of resources obtained by the households in cash by way of loans from government, banks, Life Insurance Corporation, co-operatives, term-lending institutions and the matching contribution made by them out of resources obtained from maturity of life policies, withdrawals from provident funds/fixed deposits, running down of cash holdings, sales of securities, bonds, shares, etc."

The additional relation posited is: $I = 2FS$, i.e., investment is financed half by net borrowing from other sectors and half from other sources. In the exemplification of other sources, matured life policies and provident fund withdrawals retain their curious prominence, but the association with them of the 'running down of cash holdings, sales of securities, bonds, shares, etc' indicates that this is a residual category. (Savings as such are not mentioned.)

While logically at least this is a defensible procedure, the particular hypothesis adopted, that investment is double net borrowing, does not seem very compelling. The Appraisal (p 25) refers to the matching contribution which the lenders require the households to make out of their own resources, but this seems likely to involve an over-generalisation. Certain other estimates of household investment ([4], [6]) do seem to show it as between two to two and a half times net borrowing in certain recent years, but it is not

clear how these investment estimates themselves were obtained. Since no satisfactory estimates of household investment have been possible in the past, any ratios involving household investment based on past 'experience' cannot claim much sanctity, and projections based on them will do little more than perpetuate ignorance.

In this context it may be noted, whatever the significance to be attached to it, that the estimate given for household investment in the Approach document, Rs 9,850 crores, is in fact approximately double the figure given for net borrowing, Rs 4,885 crores.

Recently attempts have been made ([4], [6], [7]) to put onto a more systematic basis the estimation of sectoral saving and investment in the context of financial flows. The financial transfers linking the non-financial surpluses and deficits of the various sectors over any period are presented in a financial transactions matrix, from which co-efficients can be derived showing the proportions in which sectors distributed their lending over other sectors or derived their borrowing from other sectors. Given stability of these co-efficients of financial activity, a given pattern of sectoral saving will give rise to a particular pattern of sectoral investment, or vice versa. Hence if sectoral savings are estimated independently, the investment pattern consistent with them can be determined; this requires stability (or predictability) of the lending co-efficients. Alternatively, if a certain sectoral investment pattern is proposed, the savings pattern required to generate it can be derived; this requires stability in the borrowing co-efficients. (Needless to say, both saving and investment cannot be estimated simultaneously.)

Independent estimation of household sector savings for the purpose of such an exercise would be based on projections of income and the use of average and marginal propensities to save derived from past trends. However, since existing estimates of past household saving are unreliable for the tangible investment component, these average and marginal savings ratios are subject to the deficiencies already mentioned.

Our purpose here, however, is not to comment upon these methods. It is merely to point out that the 'explanation' offered in the Approach document of its procedure for estimating household saving and investment is less than enlightening.

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- [2] Fourth Plan Mid-Term Appraisal, Government of India, Planning Commission, December 1971.
- [3] "Financial Flows in the Indian Economy — 1961-62 to 1965-66", Reserve Bank of India Bulletin, July 1969.
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- [5] A Rudra, "Survey of Research on Consumption, Savings and Capital Formation", in the Indian Econometric Society, "The Data Base of Indian Economy", New Delhi, 1972.
- [6] V V Bhatt, "Saving and Flow-of-Funds Analysis: A Tool for Financial Planning", Reserve Bank of India Bulletin, September 1969.
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- [8] Yogakshema, Vol 16, No 10, October 1972.
- [9] Government of India, Combined Finance and Revenue Accounts of the Central and State Governments in India for the Year 1968-69, New Delhi.
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Notes

- 1 However see A Rudra [5] on the sizeable discrepancies which have arisen even in the area of financial flows between the estimates put forward by different agencies.
- 2 See A Rudra [5] for an account and critical evaluation of these procedures.
- 3 That is, if the term 'financial saving' is interpreted as referring to monetised saving. In that case, both 'S' and 'I' above must be interpreted as representing the monetised components of saving and investment. The non-monetised component, representing the households' contribution in kind in terms of 'own labour and material', is identically the same for both saving and investment, and so makes no difference to the accounting relationship involving the monetised components. The non-monetised component is estimated in the Mid-Term Appraisal (p 29) as 10 per cent of monetised investment, on the basis of rural survey data.

The term 'financial saving' is sometimes used to mean $FU - FS$, but that interpretation would lead

to absurd results in the present case.

- 4 In 1971-72, Rs 91.92 crores was paid as claims by the Life Insurance Corporation [8]. In 1968-69, Rs 107 crores was paid out of the Central Government/State Provident Fund and Rs 44 crores out of the 'provident fund and other funds' of the state governments [9]. In 1969-70, Rs 32.89 crores was paid from the Employees' Provident Fund [10]. Hence roughly Rs 1,500 crores might be expected from these sources over the Fifth Plan period.
- 5 Since these receipts are in lumpsum form, the argument applies strictly to their annuity equivalents. It suggests that the lumpsum receipt is likely to be reinvested in financial assets, which can be converted into an income stream through progressive realisation; this income will be used to support consumption. (The use of such terminal receipts for house purchase or construction seems less likely than the finance of such outlays by borrowing against mid-term life policies or provident funds. Such borrowing is included in FS.)
- 6 E.g., Rs 280 crores representing government loans to its employees for vehicles. Doubts also arise about 'loans on account of natural calamities' placed at Rs 520 crores for the Fifth Plan.

Haryana Electro Steel

HARYANA Electro Steel, which is setting up a mini steel plant near Sonapat with an annual capacity of 13,500 tonnes of mild steel, medium carbon and spring steel billets, expects to commence commercial production by October next. The project cost, estimated at Rs 70 lakhs, is to be financed by share capital (Rs 25 lakhs) and term loans and deferred-payment scheme of IDBI (Rs 45 lakhs). The promoters have already subscribed for equity shares of the value of Rs 10 lakhs, and the public is being offered for subscription at par equity capital of Rs 15 lakhs in shares of Rs 10 each. The Board includes a few prominent industrialists such as B R Jain (Director, Delhi Cloth and General Mills), Mohan Lal Bhatia (Managing Director, Hindustan Wires), Saroj Kumar Poddar (Managing Director, Poddar Projects), and a young entrepreneur Pradip Gupta. Gupta expects the company to start paying a dividend of 10 per cent out of the earnings of the first year of production and raise it to 15 per cent and 20 per cent, respectively, in the two subsequent years. The subscription list will open on April 18 and close on April 30 or earlier, but not before April 20.

CURRENT STATISTICS

Capacity and Production of Industries, 1971 and 1972

S No	Name of the Industry	Accounting Units	1971			1972			Remarks
			No of Units	Installed Capacity	Actual Production	No of Units	Installed Capacity	Actual Production	
1	2	3	4	5	6	7	8	9	10
Rubber Goods									
1	Giant tyres	Nos	8	20,35,000	23,63,753	8	22,00,000	24,00,000	
2	Giant tubes	"	8	20,35,000	21,23,327	8	22,00,000	23,00,000	
3	Motor tyres	"	8	10,00,000	11,48,292	8	10,00,000	13,00,000	
4	Motor tubes	"	8	10,00,000	13,03,445	8	10,00,000	14,00,000	
5	Motorcycle tyres	"	6	2,00,000	1,86,141	5	2,00,000	1,50,000	
6	Motorcycle tubes	"	5	2,00,000	2,10,024	5	2,00,000	2,25,000	
7	Scooter tyres	"	8	4,50,000	4,91,833	8	4,50,000	5,00,000	
8	Scooter tubes	"	6	4,50,000	3,98,055	6	4,50,000	3,80,000	
9	Bicycle tyres	"	15	243,86,000	206,63,383	15	318,26,000	224,00,000	
10	Bicycle tubes	"	14	222,00,000	134,54,884	16	289,50,000	146,00,000	
11	Aero tyres	"	1	12,000	13,871	1	12,000	17,000	
12	Aero tubes	"	1	5,000	3,919	1	5,000	2,000	
13	ADV tyres	"	7	1,62,000	2,11,727	7	1,75,000	2,50,000	
14	ADV tubes	"	7	1,80,000	2,39,195	7	2,00,000	2,50,000	
15	Tractor tyres	"	6	1,60,000	2,28,579	6	1,60,000	2,75,000	
16	Tractor tubes	"	5	1,65,000	2,20,572	5	1,65,000	2,40,000	
17	Off-the-road tyres	"	3	13,500	14,903	3	13,500	16,000	
18	Off-the-road tubes	"	3	13,500	11,233	3	13,500	13,000	
19	Cab tyres	Metres	2	20,000	3,320	2	20,000	7,000	
20	Ebonite rods and tubes	Kgs	7	37,400	2,079	7	37,400	5,000	
21	Waterproof fabrics	Metres	9	29,00,000	37,00,930	10	49,15,500	34,48,000	
22	Latex foam sponge	Kgs	4	10,22,000	11,88,623	4	10,22,000	12,28,000	
23	Rubber footwear	Pairs	11	55 million	441,71,737	11	52 million	445,50,000	
24	Dipped rubber goods	Nos	322	16,00,000	1545,27,415	3	22,16,00,000	8,31,000gross	
25	Radiator hoses	"	7	5,23,000	4,80,792	8	5,23,000	5,30,000	
26	Vacuum brake hoses	"	8	11,50,000	11,53,443	8	11,50,000	11,93,000	
27	Other types of hoses	Metres	13	78,40,000	35,06,375	15	78,40,000	54,15,000	
28	Fan belts	Nos	6	52,60,000	22,99,008	6	52,60,000	27,00,000	
29	Industrial V belts	"	5			5		39,00,000	
30	Rubber compound and railway fittings	"	6	6,90,000	1,19,274	6	6,90,000	1,10,000	
31	Camel back	Kgs	11	133,30,000	150,35,657	11		145,75,000	
32	Contraceptives	Nos	2	325 million	1167,47,593	2	325 million	5,52,000	
33	Rubber transmission belting	Tonnes	5	4,200	2,971.14	5	4,200	3,260.00	
34	Rubber conveyor belting	Tonnes	4	3,100	2,993.16	4	3,100	3,735.00	
Combined capacity for Fan and V Belts.									
Food Processing Industries									
1	Biscuit	Tonnes	31	94,200	64,556	31	94,200	68,700	
2	Confectionery	"	23	37,152	17,385	23	37,152	18,100	
3	Flour milling	"	144	44,11,956	25,24,552	146	44,77,956	2921,000	
4	Cigarettes	M Pcs	13	57,688	65,779	13	57,688	61,000	
5	Breakfast foods :								
(a)	Corn and wheat flakes	Tonnes	1	900	350	1	900	325	
(d)	Processed pearl barley	"	3	5,328	1,620	3	5,328	1,250	
(c)	Processed rolled oats	"	1	2,100	341	1	2,100	325	
6	Malt extract	Tonnes	2	5000	3,815	2	5,000	4,060	
7	Gaur gum	"	5	26,100	15,094	5	26,100	15,300	
8	Fr and veg preservation	"	22	78,107	24,433	22	78,107	26,750	
9	Meat products	"	4	1,600	410	4	1,600	930	
10	Filter rods for cigarettes	M Pcs	1	900	952	1	900	1,037	
11	Aerated water	M Bottles	36	1,790	105,399	36	1,790	1,065	
12	Protein isolate	Tonnes	1	1,500	218	1	1,500	240	
13	Open top sanitary cans	"	8	49,151	19,385	8	49,151	19,700	
14	Infant milk food	"	6	20,983	16,815	6	20,983	18,500	
15	Milk powder	"	12	18,253	11,768	12	18,253	12,000	
16	Condensed milk	"	6	13,800	8,441	6	13,800	9,650	
17	Malted milk food	"	8	13,667	12,029	8	13,667	11,200	
18	Starch	"	9	1,68,600	93,213	9	1,68,600	1,05,566	
19	Dextrose	"	2	30,600	11,237	2	30,600	11,200	
20	Liquid glucose	"	5	54,500	20,110	5	54,500	23,550	
21	Enzymes	"	1	7,300	533	1	7,300	540	
22	Drinking chocolate	"	3		742	3		760	
23	Cocoa powder	"	3	642	40	3	642	42	
24	High protein food	"	1	1,500	1,005	1	1,500	1,200	
25	Instant coffee	"	2	1,664	1,586	2	2,139	1,600	
26	Instant tea	"	2	512	259	2		194	
27	Ice cream	1000 litres	6	7,995	3,363	6	7,995	5,162	

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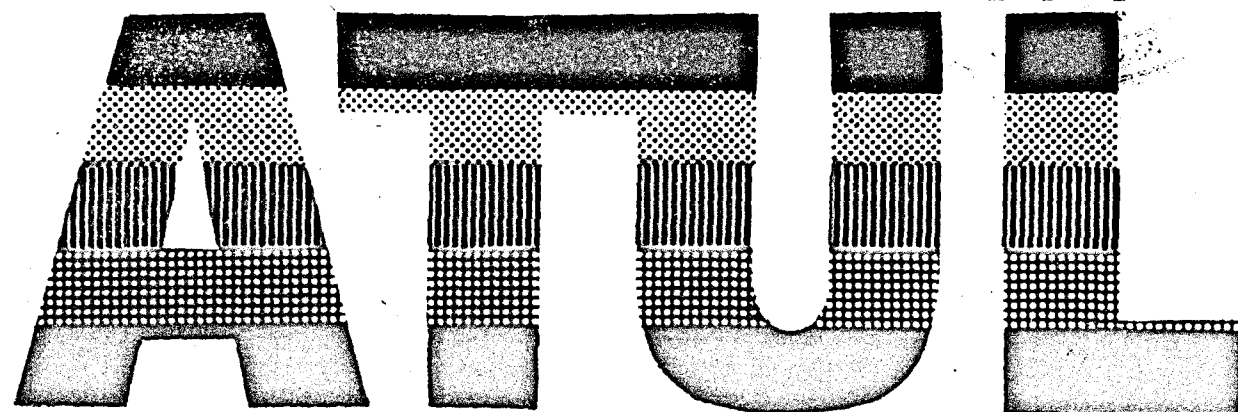
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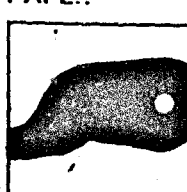
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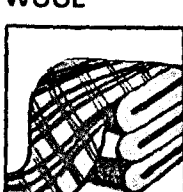
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**ECONOMIC
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POLITICAL**

WEEKLY

A Sameeksha Trust Publication

Rs 1.50

Vol VIII No 16

April 21, 1973



P
R.R. NO. 1714/73

NON-BRAHMANS AND COMMUNISTS IN BOMBAY

MISA: TWO BIRDS WITH A STONE

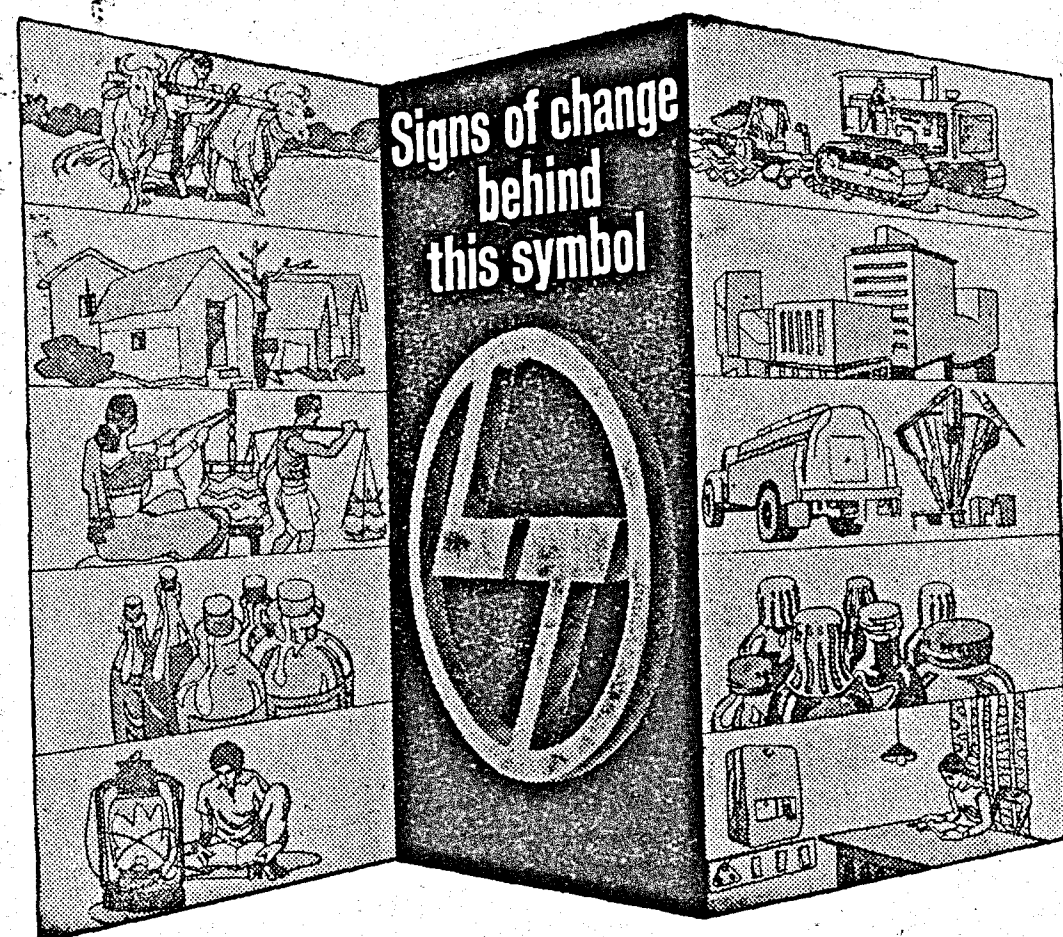
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Founder-Editor: Sachin Chaudhuri

Vol VIII No 16 April 21, 1973

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ECONOMIC AND POLITICAL WEEKLY

Skylark 284 Frere Road Bombay 400 001

Phones 266072, 266073, 260192

Grams Econweekly

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Tax Shenanigans

THE government's much-publicised campaign against tax evasion and black money, with the report of the Direct Taxes Enquiry Committee serving as a sort of combat manual, proceeds in a series of half-hearted skirmishes. The battle proper is never joined. The Committee's recommendation that the government should assume powers to acquire immovable property in cases where the sale deed did not reflect the true market value of the property was put on the statute books last year through the Taxation Laws (Amendment) Act, 1972. Now this week the cabinet is reported to have approved a more comprehensive bill incorporating some of the Committee's other suggestions.

The loopholes left in the Taxation Laws (Amendment) Act, 1972 are obvious enough. The minimum value of Rs 25,000 prescribed in the Act for a property to become liable to acquisition leaves the door open for immovable properties of market value exceeding Rs 25,000 to be parcelled out in such a manner that the value of each part is less than the minimum. Again, the time-limit for initiating acquisition proceedings of six months from the date of registration of the instrument of transfer, appears almost to be deliberately designed to facilitate evasion of the law through collusion between officials and intending tax evaders. Most serious, the Act is only an enabling legislation and the rigour with which it is implemented will depend on the policies of the government. And in this regard, the record of enforcement of laws concerning economic offences warrants no optimism at all.

The new bill now proposed to be brought forward is said to widen the income-tax authorities' powers to search premises and seize properties and to provide for enhanced punishment, in terms of penalty and imprisonment, for tax evaders. But before one is overly impressed by the seemingly draconian provisions, it might be instructive to see what use has been made of the penal provisions of existing tax laws. Consider, for instance, the facts brought to light by the 51st report of the Public Accounts Committee (Fifth Lok Sabha). The income-tax department launched prosecution for concealment of income in a mere 23 cases in 1968-69 and 40 cases in 1969-70. If these numbers seem small, consider the number of cases in which convictions were obtained: 4 in 1968-69 and 3 in 1969-70. Even that is not all; what finally takes one's breath away is the nature of punishment meted out by the courts to tax evaders. Out of the four cases in which convictions were obtained in 1968-69, two got away with nominal fines and the other two with imprisonment for six months. Of the three convictions in 1969-70, two were awarded nominal fines and a single day's simple imprisonment and the third, imprisonment for six months. The maximum punishment of two years' rigorous imprisonment provided for in the laws remains virtually a dead letter; even the minimum punishment prescribed of six months' imprisonment is seldom imposed, the courts being only too anxious to give the benefit of the First Offenders Act to convicted tax-evaders. Against this background, the futility of raising the maximum punishment for those who evade over Rs 1 lakh in taxes to seven years' rigorous imprisonment, as proposed in the legislation now under the government's consideration, is obvious enough. If tax evaders get away lightly as a matter of course, certainly the reason is not that the tax authorities lack powers or that the laws do not provide for more severe punishment. The reason must be sought in, first, the ubiquitous political and bureaucratic corruption and, second, the class bias of the tax administrators and the judges. No amount of legislative refinement will alter these basic systemic factors.

The government's unwillingness to come to grips with the problem of reform of the tax base to curb tax avoidance and evasion is to be seen in its refusal to treat the family as the unit of income taxation. This much-needed change once again finds no place in the proposed bill. If, as newspapers have reported, it is true that it is the Prime Minister who is opposed to this particular reform, the irony of the situation deserves to be noted. For, the current round of debate on treating the family as the unit of taxation had been set off by the Prime Minister's speech while presenting the Budget for 1970-71 in which she had promised to examine the question in detail and to "bring forward the necessary legislation subsequently". The argument reportedly used by the Prime Minister to go back on her own proposal is the hackneyed one that clubbing of husband's and wife's incomes might discourage women from taking up jobs. The number of families with income levels and marginal rates of tax at which this argument can have any relevance at all must constitute a minute proportion of the tax-paying population. It is typical of the *modus operandi* of the present government that such an unabashedly sectarian argument should

be used to kill a tax reform which has everything to commend itself both from the point of view of curbing of tax evasion by deliberate splitting of incomes and from that of equity — that families with the same incomes should pay roughly the same tax, irrespective of whether the income stands in the name of one or more persons.

The same kind of double-talk is to be seen also in the treatment of the report of the Committee on Taxation of Agricultural Wealth and Income. The Centre has been trying to make everyone believe that its job is done with the acceptance of the Committee's incidental recommendation of partial integration of agricultural and non-agricultural incomes and that it was now up to the states to take steps to introduce the Agricultural Holdings Tax which, after all, is what the Committee's report is about. In fact, the AHT, as envisaged by the Committee is to be introduced nationally on the basis of norms and principles uniformly applicable to all parts of the country. The onus of initiating action is, therefore, clearly on the Centre. If the government were serious about the tax, instead of passing the buck to the states, it could have set the ball rolling by appointing the All-India Committee on Agricultural Holdings Tax suggested by the Committee. But, just as it cries itself hoarse about tax evasion and black money while bending over backwards to soften the rigour of tax laws in favour of tax evaders, the government has sought to tuck away the AHT under a thick carpet even as it repeats over and over the imperative necessity to raise resources for development from the agricultural sector.

MISA

Two Birds with a Stone

THIS is a clear case of there being more than meets the eye. Stories are being carefully planted, in Calcutta as well as in New Delhi, of a resurgence of extremist activities in West Bengal. The legend of the Naxalites is being revived with a generosity not normally associated with officialdom, and despite the fact that this goes against the claim that law and order is now firmly restored in West Bengal. The motives impelling the authorities to say what they are saying therefore deserves some exploration.

One does not have to travel far in search of the clue. Even as different factions within the Congress fall out and start bashing one another's heads, the

police in the neighbourhood are overtaken by a crisis of identity. As long as the hope was cherished that the factions would be able to sort out their affairs or that the leadership at the state level would effect a patchwork of compromises among the warring elements, the police could refrain from showing their hand. The point of no return, however, would seem to have been passed. During more recent weeks, the bickerings among the different elements within the Congress have emerged above the surface; more often than not, and whether they like it or not, the forces of law and order have thus been directly involved. Persons belonging to the underworld who, in the course of the past few years, had got accustomed to receiving protection from the police by virtue of their alignment with one or other of the Congress groups, now suddenly find themselves threatened with extinction. For dear life, or, at the more mundane level, simply to save himself from the inconvenience of being served with an order of transfer, the officer-in-charge of the local police station prefers to identify himself with the cause of the dominant Congress faction in the area: the other factions, therefore, have to run for cover. True, this is not happening uniformly all over the state; it would also be difficult to prove that the alignment of the police is consistently with one particular faction. There can be little doubt, however, that some people, who till yesterday were under the benign protection of the police, are now back in the fold of the hounded. A new spirit of alienation — the outcome of intra-mural Congress feuds — is developing between the police and sections of the anti-socials. One has to give a dog a bad name before it can be hanged. Accordingly, a positive correlation should be observable in the coming months between the growing schisms within the Congress party and the rise in the quoted instances of extremist revival.

At the same time, a different kind of bird can also be killed with this single stone. Assuming the Supreme Court were to strike down the MISA when it comes round to delivering judgment on the case pending before it, the government would be in a jam. As the Attorney-General allegedly did not indicate, Parliament would then have to be moved for passing on an emergency basis an amending law empowering the authorities not to let out the thousands who are at present imprisoned under the Act. The bogey of a come-back of the extremists, it is conceivably being hoped, would put Mem-

bers of Parliament in the proper frame of mind to approve, without too detailed questioning, such a substitute piece of legislation.

Asian Reserve Bank

Without the Prince?

THE long drawn out efforts by the Economic Commission for Asia and the Far East (ECAFE), with the help of some well-known experts like Robert Triffin, to give concrete shape to plans for trade liberalisation through regional payments arrangements appear to have borne fruit in the reported agreement among some of the region's countries to start the Asian Clearing Union (ACU). However, the other, more ambitious idea viz, the Asian Reserve Bank (ARB), conceived by the ECAFE appears fated to be still-born on account of the stiff opposition to it by some prominent countries such as Japan without whose co-operation the ARB would be a hapless entity.

The inspiration behind the ACU was the desire among Asian countries to save the costs involved in clearing their mutual payments and receipts through foreign banks located in financial centres such as New York and London. The present clearing arrangements involve transfer costs and require large working balances in these financial centres. The ACU is expected to save the transfer costs and help to release the working balances held in foreign currencies for more productive purposes. While an IMF study team, entrusted by the ECAFE in 1969 with examining how far the ACU would achieve these results, threw cold water on the proposal on the grounds that the area was already well-served by an efficient banking network so that the saving in transfer costs would be marginal and the possibilities of releasing foreign currency balances limited, it did observe that "co-operation in monetary and exchange matters is important for any effective regional or subregional programme to promote trade and economic growth".

According to the proposed scheme of the ACU, each member country would open a credit line to every other member country equal to 1/6th of its annual exports to that country and in exchange receive a credit line equal to 1/12th of its imports from it. These credit lines would be subjected to annual review. The credits and debits of each member country would be entered in the books of the ACU in terms of an Asian unit (expected to be equivalent to

the SDR of the IMF), and net claims above the specified credit lines would be settled in an "acceptable currency". Obviously, countries like Japan who have a trade surplus with the region would always be offering continuous credits to other members, as only net claims over and above the credit lines are to be settled in foreign exchange.

The idea of the ARB is far more ambitious than that of the ACU and would involve even larger commitments from Japan. The ARB proposal envisages that each member country will hand over at least 10 per cent of its official reserve during any one quarter and be entitled to draw from the ARB 50 per cent of the decline in its official reserves during any one quarter and, within this limit, the full amount of its deposits with the ARB. Drawings above this limit would be subject to the approval of the managing board which, like the IMF at present, would provide the finance on the understanding that the member concerned will take necessary measures to correct the imbalance in its payments. Clearly, a country like Japan with massive and ever-expanding foreign exchange reserves would contribute large resources to the ARB without there being any chance of its drawing upon the ARB's resources.

The ARB scheme is, besides, too ambitious for the reality of the Asian region in the near future. It has been pointed out by the experts who formulated the proposal that the ARB would be left with substantial idle resources which are proposed to be invested in either the Eurodollar market or partly invested in the Asian region — directly or through the Asian Development Bank (ADB). The objection to entry by the ARB into the Eurodollar market is that, in the present unstable international monetary situation, this would be an unwise investment. Similarly, when there is already a going concern like the ADB, it is not necessary to allocate additional funds through the ARB when the members are free to allocate funds directly to the ADB, if they so choose. When the ARB scheme is not sufficiently attractive for a number of regional countries, it is somewhat quixotic to ask them to commit finances larger than are required in normal circumstances for meeting the member countries' demands on the ARB. It is more realistic to ask for the minimum necessary funds from the countries of the region until their desire for regional economic co-operation becomes strong enough. Until that stage, any unforeseen demands on the resources of the ARB on account of sudden unfavour-

able developments in the trade and payments of a large number of member countries may be met through some arrangements like the General Agreements to Borrow of the IMF.

But apart from these valid objections raised by the Japanese, the main factors responsible for their reluctance to join either the ACU or the ARB appear to be political. Though the Japanese are a part of the Asian geography, they have been associating more with the developed countries of the West — especially after 1964 when they became a member of the OECD. Their economic interests are deeply entangled with those of the Western developed countries and nearly two-thirds of their trade is with these countries. Moreover, as possibilities of trade expansion for it are essentially with these developed countries, Japan would not be interested to join an ideologically heterogeneous group of Asian countries.

West Asia

Shades of 1967?

THE Egyptian leadership is playing dangerous games again. There are shades of the 1967 crisis in the situation now developing in West Asia, with the Libya under Colonel Ghaddafi playing the role of the *agent provocateur* just as Syria in 1967 had goaded Nasser into pushing out the UN forces and placing the Egyptian army in a position of direct confrontation with the Israelis. Threatening postures have never been taken lightly by the Israelis, and if the signs of a military build-up — like the movement of Libyan Mirages and Iraqi Hunters into Egypt — continue, it is not at all improbable that the Israelis would launch yet another so-called 'pre-emptive strike' against Egyptian military formations and bases, particularly the airfields across the Suez Canal and in the Nile delta.

Among the leading factors which have allowed the present situation to arise is the inability or unwillingness of the United States to rein in the Israelis. If key military supplies were withheld, the Israelis would be forced to seek political solutions rather than purely military ones. But the US, which is the preponderant supplier of military hardware to Israel, has indicated that it will veto any UN resolution which seeks to limit arms supplies to that country.

And while the interests of the various governments — Arab, US, Israeli — get further entangled, the Palestinian guerilla movement is not only being

generally disregarded politically but is being physically liquidated by the Israelis as also by the Jordanian regime. Considering that Sadat's main aim is to remain in power and where possible to assume a militant tone over the Arab-Israeli conflict towards that purpose, it is very likely that the Egyptian regime is quietly pleased to see the guerillas being liquidated by the Israelis and the Jordanians as, more than anything else, it is the guerillas who are showing up the hollowness of nearly all the Arab regimes, including those of Sadat, Asad and Ghaddafi.

Industrial Growth

Partly Statistical

AFTER the 3 per cent growth in 1970 and in 1971, the government has, understandably, gone to town over the 7 per cent rise in industrial production in 1972. The Economic Survey as well as the Industry Ministry's Annual Report for 1972-73 have taken credit not only for the "resurgence" in output of cotton textiles, transport equipment and chemicals, but also for satisfactory growth in many other basic and capital goods industries. Textile manufactures with a weightage of 27.06 per cent in the CSO's index of industrial production rose by 9.3 per cent during January-August 1972 as against a fall of 3.4 per cent in January-August 1971. Likewise, the output of the transport equipment industries (weight 7.77 per cent), which had experienced a decline of 7.5 per cent in the first eight months of 1971, rose by 8.6 per cent. The chemicals group recorded the highest growth rate of over 21 per cent against less than 7 per cent in 1971. The combined index for basic industries (comprising mining and quarrying, heavy chemicals, cement, basic metals and such other industries) showed a rise of some 9 per cent and for capital goods industries (machinery and transport equipment) of about 7.5 per cent.

This widespread and substantial rise in industrial activity does not, curiously enough, find reflection in other corroborating indicators. For instance, improved industrial activity is generally associated with expansion of bank credit. But during the whole of 1972, bank credit remained sluggish. It is only from the beginning of 1973, by which time the widespread and severe power shortage had hit industrial activity in different parts of the country, that a pick-up in bank advances (other than for food procurement) has been noticed. Similarly, disbursements of the three

term-lending institutions (IDBI, ICICI and IFC) taken together were nominally lower in 1972 than in 1971. Such other indicators as capital raised (not counting a couple of very large debenture issues) and capital goods licences issued showed hardly any improvement. And despite a large amount of import licences issued during 1971-72 (April-March), there was a significant fall in the value of actual imports in the first eight months of 1972-73. In exports, the reported improvement is restricted to the traditional commodities like cotton and jute textiles, oil cakes, cashew and hides and skins. Among non-traditional commodities, only marine products showed a phenomenal rise of nearly 80 per cent in April-August 1972. Engineering exports rose by 4 per cent during the period, while exports of iron ore actually declined. Railway wagon loadings are another index of the level of industrial activity. These rose by hardly 1.5 per cent from 34.20 lakhs in April-August 1971 to 34.73 lakhs in April-August 1972. Earlier, in 1968-69 and 1969-70 when the index of industrial output had risen by over 6 per cent in each year, wagon loadings had risen by about 3.5 per cent per year from 82.71 lakhs in 1967-68 to 85.57 lakhs in 1968-69 and further to 88.29 lakhs in 1969-70. The behaviour of some of these indicators may be capable of being explained by certain special circumstances. But all of them put together give rise to misgivings about the reliability of the estimate of growth of industrial output of over 7 per cent in 1972.

A part of the increase, it appears, is statistical — arising from the government's decision to legalise capacity unauthorisedly installed in 54 critical industries to begin with and, subsequently, in 11 more industries. Units with illegal capacity in these industries were already producing in excess of licensed capacity but the excess output was not being reported since it was unauthorised. As the Industry Ministry's Annual Report puts it, applications for what is euphemistically called 'revision of licensed capacity', have been allowed in the ordinary course, except for applications from large industrial houses and foreign concerns which have to be scrutinised by a task force specially constituted for the purpose. By December 1972, 787 applications had been received for regularising unauthorised capacity, of which 265 were to be considered by the task force. Though industry-wise details of these applications are not available, the Ministry's Report suggests that they were mainly concentrated in

industries such as transport equipment, electrical equipment, drugs and pharmaceuticals, etc (pp 12-13). Similarly, the Economic Survey had given some details of the items to which applications referred to the task force related. Important among these were: certain items of machinery, process control instruments, electronic instruments, textile instruments, ball and roller bearings, switch-gear, paints and enamels, various chemicals and pharmaceuticals, automobile components and ancillaries, optical and laboratory glass, etc. It is significant that the output of many of these industrial groups, such as chemicals and transport equipment, recorded very impressive increases.

At the level of individual items, examples can be cited of a number of industries which have suddenly started reporting substantially higher capacity for 1972 as compared with 1971. In the industrial machinery group, for ball and roller bearings the capacity (the number of units remaining the same) went up from 172.23 lakhs in 1971 to 210 lakhs in 1972 and of industrial roller chains from Rs 145 lakhs to Rs 255 lakhs. In many light electrical industries like lamps and tubes, the expansion of capacity ranged from 40 per cent to 50 per cent. In bicycle tyres capacity went up from 243.86 lakhs to 318.26 lakhs. These industries have also reported larger output. Output of bicycles tyres, for instance, went up from 206.63 lakhs to 224 lakhs and that of GSL lamps from 110 million to 125.0 million. It is, of course, impossible to say how much of the expansion of capacity and output was fictitious — the result of the government's decision to legalise clandestinely installed capacity. But such circumstantial evidence as there is does suggest that a part of the increase in industrial output in 1972 was statistical.

Sikkim

1949, with a Difference

Our Correspondent writes:

WHAT is happening in Sikkim today has some striking resemblance to what happened there in 1949. Though Chogyal Palden Thondup Namgyal has announced, with Indian support, that constitutional and electoral reforms would be ushered in soon, reports suggest that 1949 is being repeated, with some differences. This is not the first time that thousands of people have marched to and through Gangtok to get their autocratic ruler to concede their demand for democratisation. Exactly 23 years ago, on a similar call

given by the Sikkim State Congress, the people had come from all over the kingdom to gherao the palace for over 48 hours, forcing the then head of state, Maharaja Tashi Namgyal, to form a popular ministry under the Chief Ministership of Tashi Tsering, the Sikkim State Congress leader. But as soon as the demonstrators had returned to their villages, hundreds of people were hired to stage counter-demonstrations in the capital demanding dissolution of the popular ministry and restoration of power to the palace. New Delhi had then despatched its Deputy Minister for External Affairs who recommended dissolution of the ministry and restoration of palace rule.

This time again, hardly had the demonstrators returned home to their villages after their 10-day camp at Paljor stadium when the pro-Chogyal National Party leaders brought hundreds of people on the streets shouting pro-Chogyal slogans and demanding continuance of the monarchy and the present electoral system. Seeing through the game, the Joint Front leaders lodged a formal complaint with the Indian Chief Administrator, B S Das.

There is, however, one marked difference between 1949 and today. This is the role in Sikkim politics of the Chogyal's American wife. From the day Hope Cooke took the place of Sangey Deki, the Lhasan first wife of Palden Thondup, a new power-political edge has been given to Sikkim politics. By planting her own men among Sikkimese youth and organising them under the Sikkim Youth Study Forum — whose members, incidentally, come from the handful of feudal Kazi families of Sikkim — the Gyalmo has tried to build an independent, in effect anti-Indian, spirit among Sikkim's upper class youth. The anti-Indian demonstration on August 15, 1968 in front of India House in Gangtok with placards reading "Indian dogs go home", "Down with Indian imperialism", "Down with Indian army" and "Don't drive us towards the north" was inspired by the Forum. The Gyalmo has also tried to Americanise the system of education in Sikkim, replacing Gorkhali with American English as the medium of instruction, even using textbooks from the United States. All these efforts are born out of acute awareness of the need to contain the Indian influence over Sikkim affairs. For its part, New Delhi is not unaware of this and, for that reason, it may go further than it did in 1949 in support of the two Congress parties — if not out of regard for the popular and democratic urges

they represent, at least as a counter to the Gyalmo's efforts.

Sugar

Short-Term Gains

THE current sugar season began in October with prices in the free market at Rs 385 per quintal. The industry's propaganda about 'scarcity notwithstanding, prices declined to Rs 350 by February 1973. Though prices rose once again to Rs 365 towards the close of the month on expectations of an increase in excise duty, they declined to Rs 330 in March as the budget left sugar untouched, and are now around Rs 345. Normally, during the three summer months, March-May, which coincide with the marriage season, demand for sugar increases. Pressure on government from both industry and trade is strong during this period for greater releases of sugar. But though during March-May 1970 government had released 11.93 lakh tonnes and in the same period of 1971 increased the quantity to 12.25 lakh tonnes, in 1972 it slashed the release for the summer season to 9.75 lakh tonnes and for March-May this year it has further reduced it to 8.45 lakh tonnes. Having earlier announced that it would not import the much cheaper sugar available, government was forced to cut monthly releases because production had meanwhile declined to 37 lakh tonnes in 1970-71 and again to 31 lakh tonnes in 1971-72. Regarding the current season there were apprehensions, voiced by the industry, that production would be 30 lakh tonnes only. Now, the industry has revised its estimates sizeably to 36 lakh tonnes, and by the end of March sugar production had evidently already crossed 33 lakh tonnes. Also, this season, 115 factories are working as against only 57 in the last season. Government has already announced the release for the eight months — upto the end of May — aggregating 22.9 lakh tonnes. On this basis, it appears that total requirements of the entire season for both internal and external markets will be less than 35 lakh tonnes. The season thus promises to close with a carryover stock of some one lakh tonnes — more than it began with.

However, the answer to the question, why have free market prices declined, is to be found in other directions. With the general level of prices, particularly of foodgrains, having increased sharply, consumer demand for sugar has been curtailed. Moreover, famine conditions

in various parts of the country have also indirectly contributed to keeping down the free market prices. There have been continuous reports from various parts of the country of levy sugar, meant for distribution in rural and semi-urban areas, actually flowing back into the free market. Such sugar is generally sold at about Rs 10 less per quintal. The urban and more affluent sugar consumers are thus gleaming side-benefits from the plight of those whose purchasing capacity has been drastically affected by the drought. Another major factor is, no doubt, the revised estimates of sugar production by the industry. Moreover, since cane growers have received much higher prices than the stipulated minimum for their cane, the area under sugarcane both in factory areas and elsewhere is bound to increase.

So the price situation may be expected to be favourable for the urban, affluent consumers of sugar for some time. Yet what about the much-advised long-term and rational policy for sugar, such that the grower gets a reasonable price, the sugar manufacturer a reasonable profit, the labourer a reasonable wage, and the consumer cheaper sugar? The way the industry has been controlled — 15 different levy prices fixed with a range of at least 33 per cent, with the result that profit multiplies from anything between two to ten times in a particular year for several factories even as losses accumulate for a number of others whose survival is nevertheless accommodated by the control system — government has effectively encouraged short-term gains and prevented competition in the industry for nearly four decades, though freer competition might have been one way of ensuring more and cheaper sugar in the country.

Political Leadership

Facade of Youth

A Correspondent writes:

AN aspect of the current flurry of diplomatic activities involving India, Bangladesh and Pakistan perhaps deserves special mention. Kamal Hossain, Sheikh Mujibur Rahman's Foreign Minister, is under forty: the Indian Foreign Minister, Swaran Singh, is sixty-five. On the Indian side, the brunt of the negotiations is being carried by Subimal Dutt, our High Commissioner in Dacca, a septuagenarian dragged out of hibernation, and P N Haksar, who has turned sixty and has already formally retired from government on two occasions. Enayet Karim, Foreign Sec-

retary in the Bangladesh Government too is barely forty-five, a neat dozen years younger than his Indian counterpart.

Neither is the contrast with Pakistan any less sharp. While we boast about the youthful looks of our Prime Minister, Zulfikar Ali Bhutto has more than ten years of lead-time over her. The person who was the principal under study of President Bhutto at Simla last year, Ali Raza, is only in his mid-thirties: there can be no mistaking the emphasis on youth, which one can find present in the composition of the political leadership of even such an unlikely land as Nepal.

For those in this country who equate Indira Gandhi's ascendance to power with the triumph of the younger generation cannot but be taken aback by this species of comparative analysis. Of course, the circumstances explain much of the spread between the age-groups of the respective decision-makers. In two erstwhile wings of Pakistan, the who have now come to power until yesterday cast out as the opposition: the entrenched ones had weightage in age, and their decision — through revolution or otherwise has now meant an accession to the power of the relatively young ones along the line. In India, on the other hand, Indira Gandhi's comparative youth proved to be a useful camouflage for the older generation, enabling her to cling to power: her leadership, instead of being a precursor for the youth move to the centre of the stage, has come the device by which they are kept in good humour and away from the wielding of effective power. With the Uma Shankar Dikshits finding their touch, this has become increasingly manifest during the more recent months.

There is some danger that, because of this disparity in age, the Indian team may be outpaced by their counterparts in Bangladesh and Pakistan in the ensuing triangular hassles. It is not so much a matter of the mobility of the body, although physical stamina and staying power need not be altogether crossed out from the list of relevant categories. What is of greater import, however, is the flexibility of the mind, the ability to take in one's stride hitherto untried-out formulae and proposals. The difficulty perhaps does not lie so much in accepting new ideas, but in getting out of the old ones.

We are hardly the only ones beset by this problem. China is certainly facing an even worse one: Mao Tse-tung is an agile eighty-one, and Chou

en-lai is a youthful-looking seventy-five. The Chinese Communist Party has prodded them to grow old along with it. That was noble sentiment, and, certainly, up to a point, has served the cause of the revolution truly and well. But the physical law of decay cannot be flouted however intense the chanting of the scriptures, and the old must, sooner or later, yield place to the new. If, meanwhile, the new generation has not been provided with the opportunity to prepare itself for the eventuality of succession, an interregnum of chaos is a distinct possibility.

China may hope that the country's communist party is still virile, and will in due course beget the fresh set of leaders it deserves. Since India's problem cannot be clearly answered along that direction, a purposive search has to be on. Irrespective of whether one believes in the Namierite view of the historical process, the P N Haksars cannot last forever. Surrogates must be found, and, in case necessary, away from the conventional reservoirs of talent, is it unseasonal rudeness to point this out?

Machine Tools

Haphazard Growth

THE machine tool industry has indeed grown rapidly during the last decade. Output is currently estimated at around Rs 55 crores against Rs 21 crores in 1968 and about Rs 6 crores in 1960. The range of machine tools produced has also widened and the industry is now capable of manufacturing special-purpose and transferline machines; very soon numerical control devices for machine tools will also begin to be made.

Exports of machine tools touched a crores, the industry is supposed to suffer from underutilisation of capacity. No precise estimates are yet available of the actual capacity. One estimate places it at about Rs 80 crores of which about three-fourths are accounted for by 10 units. Demand for machine tools is around Rs 70 crores, imports accounting for about Rs 15 to 20 crores.

Exports of machine tools touched a mark of Rs 3 crores two years ago and this had raised hopes that the target of Rs 7.5 crores of exports by 1973-74 would be achieved. However, exports in 1972-73 are estimated to be only about Rs 2 crores. There has also been a noticeable shift in the direction of exports from the developed countries to the developing countries.

At the recent Annual General Meeting of the Indian Machine Tool Manufacturers' Association, N P Godrej,

President of the Association, rightly pointed out that Plan targets for machine tools were in the past set very high and that it was essential to ascertain the existing installed capacity more precisely before additional capacity was allowed to be created. Godrej attributed the industry's capacity underutilisation problems to failure to identify gaps in the present production programme. This only shows that very little planning has gone into the development of the machine tool industry.

Strangely, in the same breath Godrej advocated liberal licensing and collaboration policies. If anything, the machine tool industry has already had an overdose of collaboration arrangements (some 105 in all)! Research and development are crucial for machine tools and the industry has yet to fully use the facilities of the Central Machine Tool Institute at Bangalore. Import substitution effort, sponsored under a programme of the National Committee on Science and Technology, has been initiated for 34 items and this effort needs to be pursued more vigorously.

The stagnation in exports has to be overcome perhaps on a consortium basis (as is done, for instance, in cables and heavy electrical equipment).

The draft Fourth Plan had placed machine tool output at about Rs 120 crores at the end of the Plan. This target was subsequently slashed to Rs 65 crores and further to Rs 60 crores. For the Fifth Plan, the demand estimate is now put at Rs 135 crores on the basis of a 7.5 per cent annual growth of the user industries. The Planning Commission is, however, believed to regard this growth rate inadequate. If targets are to be set for the sake of setting targets, the demand for machine tools can be put at even Rs 200 crores. But it is unlikely that the user industries will achieve the targets set in the Fifth Plan — the targets for transport equipment, for example, even though they are not very different from the Fourth Plan ones, are unlikely to be achieved — and, as has happened in the past, one may expect further pruning of demand estimates for machine tools by the time the Fifth Plan actually gets going.

Calcutta Diary

A M

THE extraordinary public brawl the members of the Pay Commission, which has just winded up its activities, are indulging in is a source of considerable amusement. A Marxist, who by definition is an incorrigible optimist, would not be averse to discovering traces of a developing contradiction within the ruling classes in this public washing of dirty linen: the *literati* have fallen out with the administrators over the spoils of exploitation; the crisis is bound to deepen; in whichever manner the current issue is resolved, it will lead to a welling of dissatisfaction in one or the other group; accordingly, either the cause of economic and technical development or that of administration will begin to suffer: one excellent thing will lead to a succession of others; the limbs of the government will tend to be increasingly paralysed; as a consequence thereof...

All this of course is so much pipe-dream. The eminent members of the Pay Commission are engaged in an intra-mural quarrel; they are interested in the *inter se* financial position of at most forty to fifty thousand people, who constitute the top layer of the administrative and technical hierarchies. Of course, on both sides, there is much talk of furthering the social purpose.

This can hardly be taken seriously. When the Planning Commission talks of reducing, in absolute terms, the monthly per capita consumption of the upper income groups, is it not insolence to claim that a corpus of recommendations, which includes a suggestion to raise the emoluments of every one of those who are currently obtaining more than Rs 1,000 per month, represents any facet of social purpose? Modesty would be more becoming. Why cannot the Pay Commission admit that 'social purpose' is all cosmetics, that, within the boundary conditions they set for themselves, they did their best to advance the cause of the sectarian interests they stand for, and that the hullabaloo is all because, very unfortunately, some of these interests clashed at the margin?

The *literati* are usually the faithful hangers-on of any established regime. The government will therefore find a way to mollify, upto a point, the scientists and the technicians. Their aggregate number is not large, and they can be humoured along. But where the scientists and technicians will go wrong is in case they nurse the illusion that, to the political authorities, they are as indispensable as the administrators. They are not, despite the emphasis which the government has allegedly

placed on the rapid scientific and economic development of the country. Those members of the Pay Commission who have taken the ruling politicians at their face value are demonstrating their own naivete. A polity has first to survive before it can flourish technologically. And even if there is absolutely no economic growth, those at the top can still assure a minimum rate of advancement for themselves by squeezing the other sections of the community. Therefore, even in the absence of technological and economic growth, the rulers will manage to do well by themselves, provided the administration does not collapse, whereas, if the latter collapses, everything else folds up, and the politicians have to run for dear life. First things first: a ruling politician has to cultivate the support of the leaders of the administration and of the army before he can even begin to think of other issues. In all seasons, the usual lip-service will be paid to liberal philosophical principles and to the social and economic uplift which science and technology would bring about; but, when the crunch comes, the differential favours will always go in the direction of those who help the rulers to maintain the country's security, internal as well as external.

This is of course no different from the model set up by the British. A handful of alien colonialists had to run the regime here. They therefore took the utmost care to hand-pick select groups of native administrators to manage the details on their behalf. Maybe because of the basic feeling of insecurity which any minority group of rulers are subject to, the illusion of godliness was deliberately fostered: the social distance between the senior administrators and the colonial subjects was assiduously widened; salaries and perquisites were differentiated with care. The British left in 1947, but the *comprador* elements, who took over from them, retained the model almost *in toto*. The structure of administration has remained about the same; the Chosen Ones remain the Chosen Ones. Socialism is a nice expression which a D P Mukerji or a Gyanchand told one about in the classroom; it therefore goes into the election manifesto. There is nonetheless a pervading fear of the people, a basic insecurity the politicians feel about democratic processes that may be at work amongst the masses. The masses do not understand the intricacies of economic growth; unscrupulous elements exploit them; an impatience is abroad. It would be fatal to give way to this impatience; the policy must be saved; the caco-

phony of public discontent must be drowned by some means or other. The chosen group of administrators step in at this juncture. They interpose between the political authorities and the howling masses. You leave the unpleasant chores to them. If some shooting has to be done, it will be done by the administrators. If some chicanery is to be perpetrated, some stealing of land for the favoured ones or some diversion of public funds for one's cousins and in-laws, again the administrators are to be the instrumentality. It is pointless to ask whether, if offered the opportunity, the scientists or the technicians could not have acquitted themselves equally well in the role of lackeys, informers, undertakers and performers of sordid jobs on behalf of the politicians. Scientists and technicians, the whole lot of them, cannot be made administrators. It is only a few amongst them, who stand out by their cleverness — and perhaps by their unscrupulousness —, who can be picked to make the transition from the particular world of skill-fetishism to the general world of skulduggery.

The joke is that the *literati* and the administrators will close their ranks the moment it becomes a question of defending their broad interests as against that of the overwhelming mass of lower grade employees. Practically all government employees belonging to the upper income echelons — be they generalists or technicians — will gain in absolute amount several times more than the lowest-paid ones, and it is no use flaunting the statistics of the proportionate increases proposed for the various ranges: there is such a concept as the diminishing marginal utility of money. The issue is not whether one member of the Commission wanted to offer Rs 196 per month to an unskilled employee beginning his career in government or whether his colleagues were adamant about not offering anything beyond Rs 185. The Commission as a whole laboured hard to set up a separate set of criteria, as against the one laid down by the Indian Council of Medical Research, in order that the real content of the need-based minimum wage could somehow be scaled down to within what it considered to be the limits of feasibility. Most of the mental gymnastics about what would or would not constitute a 'mis-direction of resources' have arisen in connection with the decision over the emoluments to be offered to these lowest-paid employees. These are the parasites, implies the Commission's Report; come down heavily on them. There is no awareness anywhere in the

Report that these parasites exist in government not as a consequence of any conscious decision on their part, but that they are there because the colonial pattern of administration has ordained their presence; or that if these, mostly unskilled, employees were not around, the *burra sahibs in the administration* would, for all one can surmise, feel peculiarly vulnerable, and the pyramid of the power structure would begin to appear as lacking in balance.

It would be difficult to come across an apter illustration of attitudinal kinks. It is not regarded as a mis-direction of resources if you top up with another Rs 250 the earnings of those who are already drawing Rs 2,000 per month; it is not considered to be a mis-direction of resources if one gives another Rs 100 to those who are already drawing Rs 1,000 per month. What can one say of the variant of social outlook which fails to perceive that if you go on adding such integers of income at these ranges, those at the very bottom of the scale would also then want to be compensated by fair sums?

There is a log-jam here. You have to offer these tit-bits of compensation to your senior civil servants because this is the only way you can retain their loyalty. It becomes necessary to offer to them something extra because the politicians themselves have added to their standard of living several times over during the past couple of decades; the industrial, trading and kulak communities too have at the same time bettered their lot. It has been a real cushy world for all of them, and which has been made possible because law and order have been maintained for them by the administrators. To alienate them is therefore out of the question.

In the given model, you cannot ask for any additional sacrifices of the politicians, of the traders, of the industrialists, of the rich farmers, of the civil servants; and since the senior civil servants are being propitiated, the senior scientists and technicians will also need to be propitiated to some extent. But when it comes to the wretched of the earth, the scale of values gets altered: they are an unproductive lot, they need not be offered even the so-called need-based minimum wage, let them offer sacrifice for the sake of the nation. The rationale of denying the poorest-paid employees some more is of course always the unemployed and the under-employed, for whom resources have to be set aside. It becomes tiresome to keep telling the politicians that it is neither they, nor the traders, nor the industrialists, nor the rich farmers, nor

the civil servants, nor the senior scientists, nor, for the matter, the members of the Pay Commission who maintain the unemployed and the under-employed; it is the poorest-paid employees who do. And if sacrifice is called for at

the margin so that national savings could be augmented, the first cut must be on the intake of the politicians, to whose tune the members of the Pay Commission have seemingly danced the role of the marionette.

situation in Chile could take a turn towards neo-colonialist and neo-fascist reverses, as happened in Brazil, though under different conditions and alignment of forces. How the non-capitalist path can lead to neo-fascism can be illustrated from political developments in Ceylon, Indonesia and Burma. Similar straws in the wind can be seen in India too. It is not surprising that the Chilean communists should be angry with Gunder Frank, an eminent Latin Americanist and non-conformist Marxist. What is surprising is that Frank should invoke "revolutionary truth" and "revolutionary solidarity" in relation to the traditional communists, for whom these phrases have lost all meaning.

LALPAT RAI

Delhi

Separatist Movement in Andhra Pradesh

I FIND it difficult to follow the logic of G Parthasarathy, K V Ramana and G Dasaradha Rama Rao in their article "Separatist Movement in Andhra Pradesh" (March 17, pp 560-63). The authors have described the phenomenon in Andhra as a purely emotional outburst, caused by a small fraction of society which has managed to give the appearance of wide social interest to the sectional interest of small groups.

Surprisingly, however, the remedy they suggest does not intend to satisfy the wide social interest but the sectional interest. It does not aim at the isolation of what they call the petty bourgeois but its fuller appeasement. The authors suggest that in the national interest the loss of jobs to the petty bourgeois of Andhra due to the implementation of the Mulki rules should be taken over by the Government of India. They estimate that this would cost the Centre a sum of Rs 10 crores over five years. It is a queer concept of national interest which equates it with that of the petty bourgeois of Andhra.

Would not this experiment start a chain reaction all over the country and provide an incentive to the petty bourgeois to become champions of the aspirations of other inarticulate regions and sections? Would the government of India be able to buy over all of them? And would the neutralisation and buying over of the petty bourgeois satisfy or suppress all regional aspirations for ever? At least I do not share that contemptuous disregard for the aspirations of the common people of this country.

BALRAJ PURI

Jammu

LETTERS TO EDITOR

Imperialism and Social Transformation

I AM surprised at the defensive, even apologetic, tone of Gunder Frank's letter to *El Siglo* (not published) printed in the *Economic and Political Weekly* of March 31 (pp 621-2) — explaining his participation in and contribution to the so-called Seminar on Imperialism, Independence and Social Transformation — in response to Rodriguez Elizondo's attacks on him, published in the official Chilean Communist Party press. As an old acquaintance of Gunder Frank and as one who met him in Delhi a number of times when he, along with Harry Madgoff, strayed into this official 'anti-imperialist' jamboree, I have the following observations to make on his letter to *El Siglo*:

While in Delhi Gunder Frank insisted on not making any comment on the policies and actions of the Unidad Popular Government and refused to be involved in any discussion regarding it. We invited him along with Harry Madgoff to address a meeting of Delhi University Marxists, where despite our repeated requests he refused to speak on the current situation in Chile. He stuck to this position even in private talks he had with some of his friends in Delhi and at no time did he give the impression that he represented a 'group' or party in Chile. On the contrary, he told us he had come to participate in the Seminar in his individual capacity and had no representative position.

Frank made a significant contribution to the Seminar by raising a number of points concerning the political situation in Chile. He pointed out that the principal question in Chile was the winning of political power by the working class and the peasantry. The Unidad Popular no doubt controls the government, but political power is still in the hands of the bourgeoisie. He further pointed out that in the absence of a mass political line, the non-capitalist path leads to the possibility of neo-colonial and neo-fascist reverses and that the "fascist menace grows to the extent the left puts its trust in constitutional guaran-

tees and fails to prepare the masses to defend themselves". The recent elections in Chile are an indication of the fact that the constitutional course adopted by the Unidad Popular has reached a dead-end and a stage has been reached where if Allende does not move further to the left (which in the present context also means moving out of the constitutional shell), there is a serious danger of violence from the Right, not excluding intervention by the military. It is rather amusing to see Rodriguez Elizondo invoking Fidel Castro's authority in qualifying the Chilean political process as "revolutionary", and at the same time resenting Frank's expression of solidarity with the view that the traditional communist parties are not always to be found in the political vanguard, a view held and propagated by Castro till 1968.

I and Frank were present in the Chaplin Theatre in Havana in 1968, when in his closing speech to the Cultural Congress, Castro told his audience what he thought of Latin American communists. It would be advisable for Moscow-lining communists not to invoke Castro's authority in support of their political positions, lest it boomerang. Castro might regard the Chilean process as "revolutionary", but he is also on record for having stated: "Let no one dream we can achieve power peacefully... those who believe they are going to win against imperialist henchmen in elections are naive and those who believe they will take over power peacefully through elections are more than naive".

But Castro's own authority is now being questioned in revolutionary circles in Latin America and elsewhere, particularly since his declaration that "we have utmost faith in the foreign policy of the Soviet Union" and his entry into the conformist socialist club. Castro apart, Chilean communists would do well to heed the warning given by Frank and some others, that if mass mobilisation is not strengthened and the movement pushed to a higher stage, the

The Whip Will Have to Crack

Romesh Thapar

THE lack of discipline, so apparent at every level of national life, has again been sharply highlighted by the extraordinary behaviour of some members of the Pay Commission who have been regaling the Press with stories about their differences. This opportunist game of exposure and counter-exposure has reached such a level of pure farce that the GOI will more or less have to give its own verdict on the basis of the materials before it. During the next few weeks we can certainly expect intense lobbying by various interests to win concessions.

If the GOI were really alive to the far-reaching damage that can be done by irresponsibilities such as those of the Pay Commission members, it would take some sort of drastic corrective action. But everyone knows that this is not possible. After all, the GOI is headed by certain gentlemen who are themselves given to leaking vital news to the Press. Indeed, we have just experienced this kind of leakage on the Haksar Mission to Dacca. Delicate negotiations are jeopardised by the loose talk of the PM's senior colleagues.

Sometime, somewhere, the whip will have to crack. The return to discipline will hurt. The whole system is afflicted at every level. The other day, a senior army officer was making a humorous story out of the fact that Generals and Admirals and Air Marshals begin the day by dusting their offices and soon will be sweeping the spaces outside. This sort of situation has existed on the civil side for a long time. There's nothing wrong in setting a new pattern, if that is the intention; but then let there be retrenchment of unwanted Sepoys and Sweepers. If this goes on at the centre of power, one can well imagine life in the state capitals.

Very much more serious is the evidence piling up about open defiance of rules, regulations and orders in public enterprises. Executives are under constant threat and unable to mobilise any protection for themselves either from their own security services or from a police force which is now reluctant to act for fear of some lobby or power group. For the first time in many years, the GOI is beginning to show concern about the breakdown of minimum disciplines at its scattered project sites.

A great deal of discussion has started about the causes behind the developing

anarchy. Has political populism eroded the morale of the law and order agencies? Are the police a broken force? Have we allowed inter-union rivalries to go beyond safe limits? Could it be that the anarchy of the university campus is being transferred to public institutions and enterprises by the new entrants into the working force? Who is giving protection to bad characters and gang leaders? What are the failures of the executives and how can they be dealt with? At what point does one begin to spark the return to normality or near-normality?

Judging from the pressures on the GOI, it may be that the breakdown of law and order in a large number of Delhi's not-so-central residential colonies has brought the problem into focus. Women are becoming agitated about the treatment they receive in offices, on buses, in the parks, and in other public places. The girls of Miranda House have demonstrated. Other protests are simmering. There have been incidents in the Capital of hold-ups on roads and highways. And, of course, the activities of students have loomed large in the calculations of administrators. From such small warning signals around the corner, we may become conscious of the wider crisis.

The breakdown in national discipline is closely related to the spread of corruption. Here again, a national trend — if it may be so called — is noticeable. 'Over-and-above' earnings are a part of normal conversation among categories covered by the Pay Commission. Black money now operates on a massive scale, and it has been made respectable by the

political parties whose funds are made up of it. And this is given as the reason why no action such as demonetisation can be taken against black money. This business of political donations has more facets than one realises.

In a sense, the most symbolic area of the present crisis is the Reserve Bank. Its vaults are choked with old, damaged notes. There is no storage for fresh currency. We are now handling the dirtiest currency notes in the world. The unions hold the system to ransom insisting that the damaged notes must be 'hand-counted' six times. A punitive operation to burn the rubbish is not ordered for fear that the ruling party will be accused of absorbing into its secret funds the old, damaged notes! So the explosive *status quo* prevails. What's more, it's not possible to solve this problem with the aid of the inevitable committee.

While we protest about security acts and police 'zoolum' — a necessary and worthwhile activity if our democratic style is not to be damaged forever — we also need to view the other side of the picture. It should not be necessary to stress this; but unknowingly we have been playing too lightly with the essentials of national discipline. A developing democratic society cannot afford this luxury. In fact, no democratic society can — for, a total breakdown of disciplines will inevitably lead to autocratic alternatives.

Now that Indira Gandhi has got the measure of the so-called forums in the Congress Party, she will be compelled to turn to these and related questions. Admittedly, this is not her portfolio. But, then, the Union Home Ministry is currently obsessed with its attack on what it calls the 'parasitic educated elite'. Someone has got to tackle the real problems... April 16

SUBSCRIPTION RATES

	Inland	Foreign (surface mail)
6 months	Rs 40	
1 year	Rs 75	Rs 110
2 years	Rs 140	Rs 210
3 years	Rs 200	Rs 305

Concessional Rates for Teachers and Students

6 months	Rs 18
1 year	Rs 35
2 years	Rs 60
3 years	Rs 80

Concessional rates are not applicable to students and teachers outside India

COMPANIES

Higher Turnover but Lower Profit

Hansavivek

GUEST, KEEN, WILLIAMS has been refused government consent for purchase of 1,77,800 shares of Rs 10 each in Sankey. Wheels at Rs 6.88 per share from Commonwealth Development Finance of UK on the ground that it has not been shown that the proposed investment would in the public interest. The directors are considering a further representation to government. During 1972, GKW's capital expenditure amounted to Rs 159 lakhs — against Rs 84 lakhs in 1971 and Rs 46 lakhs in 1970 — mainly on modernisation and balancing equipment, with emphasis particularly on product quality and ability to tackle the advanced varieties of product within the licensed capacity range. This expenditure is now running at a rate equal to the depreciation provisions made by the company. As the leading manufacturer of electrical sheet

steel products, demand for which is immediately affected by shortfall in electricity supply and installation of new generating capacity, last year the sales value in this group of products declined from the preceding year. The overall increase of 5 per cent in sales thus resulted from increase in turnover of non-electrical products. The steelworks achieved the best yield of finished steel; the fastener units achieved new records, improvement being particularly marked in the bolt and nut unit; and general improvement in engineering and forging products included substantial support for the railway modernisation programme.

Industrial relations in GKW's factories were largely free from disturbances, but several of its important customers were subject to closure, with con-

sequent reduced demand for its ducts. Despite higher total turnover, company earned considerably less profit, as margins fell the squeeze consequent to cost inflation. The company has provided Rs 143 lakhs for statutory gratuity liability; but credit tax relief on this provision, amounting to Rs 97 lakhs, has been taken and the previous provision of Rs 22 lakhs has been written back. Total dividend is maintained at 20 per cent, which covered 1.86 times against 2.40 times last year. Exports of the company's products improved, from Rs 56 lakhs to Rs 72 lakhs, mainly due to the removal of the US import surcharge which restricted sales to that market in 1971. Efforts are being made to export to established lines and to increase both the range of products and the number of markets. The company has received consent of the Control of Capital Issues for issue of bonus shares on a one-for-two basis. The shares do not rank for dividend in respect of 1972.

AMERICAN UNIVERSAL ELECTRIC (INDIA) has been experiencing a major upsurge in the demand for its products and is poised for substantial growth and expansion. Steps are being taken to expand plant capacities, reduce costs, and improve quality. A long-range corporate plan is being evolved and the board expects the company to record a growth of 50 per cent per annum for the next three years. Meanwhile, professional management has been introduced at all levels to ensure an effective management control system. Progress on the new projects has been satisfactory. Commercial production of rotor stator sets, for use in sealed and semi-sealed compressors, started last year. With a satisfactory demand for most of its products, AUE increased its sales by 30 per cent to Rs 266 lakhs. Gross profit, however, increased by only a lakh to Rs 15 lakhs. Net profit was actually lower than last year's. Dividend is again skipped. Last year, the company raised additional share capital of Rs 35 lakhs, which has been utilised for implementation of its new projects.

PHILLIPS CARBON BLACK last year stepped up production by more than 53 per cent to 21,292 tonnes, and the plant was able to operate at near-94 per cent of installed capacity of 22,680 tonnes. Actually, during the latter half of the year, the rate of production exceeded installed capacity. Output, therefore, would have been still higher, but for the limited production during the first half due to paucity of feedstock. Selling prices for all products were kept unchanged, although there was rise in freight, raw material and manufacturing costs. Both sales and profits showed considerable increases over the year, although inventories in relation to sales recorded significant increase. Dividend was stepped up two points to 14 per cent. The 'letter of intent' for promoting a new company is still pending clearance under the MRTP Act. Meanwhile, the company has applied to government for fuller utilisation of the capacity of its Durgapur plant.

INDIAN ALUMINIUM is going ahead with its plans to expand the capacity of its Belgaum smelter from 40,000 to 60,000 tonnes per annum. This expansion will mean adding a third potline having 164 pots, a 50,000 tonnes per annum expansion to the Belgaum alumina plant, additions to the mining operations at Chandgad, and generally expanding the other facilities within the Belgaum complex. The new potline,

licensed capacity. Of the cost of when completed early next year, will add just over 25 per cent to Indal's expansion, estimated at Rs 16.10 crores, only about 7 per cent is likely to be in foreign exchange. Consequent to this expansion, the company is also seeking government permission to instal an extrusion press with an annual capacity of 3,000 tonnes, and to add 6,825 tonnes to its capacity at the Talaja sheet rolling mill and an additional capacity of 2,500 tonnes at the foil plant at Kalwa — all estimated to cost Rs 4 crores. The industrial licence covering the expansion of the Belgaum smelter stipulates an issue of new equity to be made only to resident Indians of approximately Rs 6.7 crores, inclusive of premium. Alcan Aluminium of Canada, the principal shareholder, has agreed to reduce its equity holding in Indal. During 1972, the company produced 78,581 tonnes of primary aluminium compared with 79,901 tonnes in 1971. The shortfall is attributed to power cuts and a short strike at Belgaum. The new Rs 15-crore sheet mill at Talaja came into full operation. Sales advanced by 10 per cent to a new record level of Rs 44.11 crores; but with margins lagging behind, gross profit could look up by only 4 per cent to Rs 12.75 crores. Net profit slipped to Rs 5.05 crores (Rs 6.92 crores), since both depreciation and taxation required considerably more than in the last year. But total equity distribution, demanding about one-fourth more, is still well covered by earnings. Bonus shares allotted on a one-for-two basis towards the year-end are also eligible for the 9 per cent final payment.

TAMIL NADU RUBBER, a new company in the joint sector, is setting up a project in the 'backward' area of Tirupattur in Ramanathapuram district, for manufacture of four lakh pieces each of automobile tyres and tubes per annum. A technical collaboration agreement has been entered into with General Tire International of Akron, USA, according to which an initial payment spread over a period and royalty after commencement of commercial production will be payable by the Indian company. The cost of the project is estimated at Rs 18 crores, and the factory is expected to go into production during the latter half of 1975.

HANDA ROTARY MACHINES, a new company formed in 1971, intends to enter the capital market towards the middle of this year with a public issue

of Rs 72 lakhs in equity shares of Rs 10 each, to raise part of the finance required for its Rs 433-lakh project. The project will be located at Umbergaon in Gujarat, where the factory buildings are expected to be completed within 18 months. Meanwhile, the first phase of production has been started at rented premises at Vapi industrial estate. The company has also made arrangements for procurement of many components from a number of ancillary units located in the surrounding area. The indigenous manufacturing capacity for all kinds of printing machinery is far below the country's requirements. This apart, no unit in the country is at present producing rotary printing machines, which IIRM proposes to take up. The company, therefore, looks forward to bright prospects for its venture. It also looks ahead to good export business.

BILASPUR SPINNING, the only spinning unit in Bilaspur district of MP, has undertaken an expansion programme to instal additional 12,936 spindles to make a complement of 25,000 numbers. Estimated to cost Rs 135 lakhs, the project will be financed by additional share capital (Rs 35 lakhs in equity and Rs 5 lakhs in preference), loan from IFCI and IDBI (Rs 90 lakhs), and the Central government subsidy for location of the project in a 'backward' area (Rs 5 lakhs). The present share capital of the company is Rs 35 lakhs, including Rs 26 lakhs in equity. The company earned thereon a gross profit of Rs 31 lakhs in the year ended September 1972. The prospectus holds out promise of a dividend of not less than 10 per cent for the current year and at higher rates in subsequent years. The dividend is expected to be exempt from tax for a couple of years, which is an added attraction for investors in the high-income bracket. The present market value of the existing shares is around Rs 16, while the fresh issue is being offered at par. MP is one of the few states which have surplus power. Bilaspur, therefore, should have no difficulty in getting the required additional power. The supply of raw material also does not pose a problem to the company, since satisfactory arrangements have been made with Gwalior Rayon. After the proposed expansion, the unit will consume cotton on a limited scale. Cotton, too, is available in plenty in MP. The subscription list for the public issue is opening on April 17. It will close on April 25 or earlier, but not earlier than April 21.

The Week's Companies

	GKW		AUE		Phillips Carbon		Indian Aluminium	
	Latest Year 30-12-72	Last Year 30-12-71	Latest Year 30-9-72	Last Year 30-9-71	Latest Year 30-11-72	Last Year 30-11-71	Latest Year 31-12-72	Last Year 31-12-71
Paid-up capital	632	632	71	38	206	206	1842	124
Reserves	1698	1525	28	21	123	116	2034	236
Borrowings	606	619	169	153	—	—	3002	263
of which Term borrowings	315	316	63	40	—	—	2067	194
Gross fixed assets	2631	2513	109	81	316	305	7781	709
Net fixed assets	1390	1346	99	84	113	116	5361	513
Investments	38	38	—	—	—	—	1	—
Current liabilities	1361	1423	62	46	105	84	1216	119
Current assets	2870	2816	228	173	321	291	2660	224
Stocks	1493	1426	146	115	123	69	1705	168
Book debts	1240	947	75	54	123	150	676	47
Net sales	5595	5311	223	182	441	355	4411	399
Other income	60	77	6	6	10	9	60	5
Raw material costs	2539	2426	122	103	185	104	1188	98
Wages	1011	872	38	32	37	33	598	55
Interest	39	40	19	14	—	—	234	18
Gross profit(+)/loss(—)	884	1052	15	14	89	72	1275	122
Depreciation provision	111	115	8	5	15	15	437	34
Tax provision	531	629	—	—	43	32	333	19
Net profit(+)/loss(—)	242	308	7	9	31	25	505	69
Development rebate provision	8	5	4	3	2	—	114	27
Transfer to reserves	108	176	3	6	—	—	137	21
Dividend								
Amount	126	126	—	—	29	29	2	2
Rate (per cent)	20	20	—	—	14	12	252	204
Cover (times)	1.86	2.40	—	—	1.00	1.00	16.50	17
Ratios (per cent)								
Gross profit/sales	15.80	19.81	6.72	7.69	20.18	20.28	28.90	30.44
Net profit/capital employed	8.24	11.09	2.61	4.24	13.07	7.76	7.34	11.03
Inventories/sales	26.68	26.85	65.47	63.18	27.90	16.01	38.65	42.26
Wages/sales	18.07	16.42	17.04	17.60	8.40	9.30	13.55	13.82

KERALA

Droplets of 'Socialism' and a Flood of Traditionalism

THE President, as the constitutional head of State, should be above criticism. It is for people around Varaha Venkata Giri to see that every public appearance of his enhances the prestige of the post which he occupies. This is the third or fourth time he is visiting Kerala after becoming President. There is no dearth of people and associations to arrange programmes for him at the slightest hint. When he was Governor here, he had endeared himself to the local bourgeoisie.

This time, Giri's visit lasted a week. Programmes had been arranged from one end of the state to the other. On the first day itself, Giri attended five functions and received in audience ministers, officials, and mobs of local elites — big and small. All this would have been a strain on even a younger person in the sultry weather which is usual for this part of the year. The state-wide programmes included worship in the enchanting Ayyappa temple at Sabarimalai in the ghats. The temple authorities made it a memorable occasion by carrying Giri in a decorated palanquin with all the temple paraphernalia reserved for the deity in the temple. Giri was made to look like a god incarnate, a true Ayyappa, which is what every devotee trekking the arduous route to the temple up the hill feels he is!

A state visit by the President is not an ordinary event. It requires elaborate security arrangements and traffic regulation all along the routes which cause no end of inconvenience to the public. It gives anxious moments to the officers in charge of hospitality to the President and his retinue, and dislocates normal working of their offices. And, of course, it costs the state exchequer, which is in deficit of Rs 44 crores, a pretty penny. There are no tangible benefits in return, except the satisfaction of vanity of a few. The President need not be blamed for all this. How could Giri, who has nostalgic memories of Kerala, refuse invitations when the state government supported them?

Socialism, meanwhile, is on the march. On April 2, Kerala has started a collective farm — the first of its kind in India, says the government handout. The farm is at Illithode in Ernakulam district. Two more — one in Calicut

and the other in Trivandrum — are on the way.

The Illithode farm is actually a colonisation scheme. In an area of about 2,000 acres, 250 families of landless agricultural labourers, half of them Harijans, have been settled. Every family has two adult workers — husband and wife. They own the land allotted to them, and their descendants can inherit it. But they have no right to alienate the property. The management of the farm is vested with an elected committee of farmers. A co-operative society has also been registered under the Co-operative Societies Act to look after the credit needs of the farms.

NEED FOR COLLECTIVISATION

The land will be cultivated collectively, each member of the farm performing duties assigned to him or her by the management committee. Every worker will get Rs 25 per week as advance, which will be later adjusted against wages calculated at the rates prevailing in the locality. A family of two workers will thus get Rs 50 as advance every week. The net profit at the end of the year will be divided among the members equally. There will be adequate provision for depreciation of assets, and funds will be set apart for such purposes as children's education, risks, and general reserve. It is estimated that, after making these provisions, a worker will be able to get about Rs 4,000 a year exclusive — in addition to wages at the normal rates. A two-member family may thus get Rs 8,000 to Rs 10,000. Besides, each family is permitted to have a small kitchen-garden and to keep poultry, the income from which need not be shared with the others.

There is little doubt that in Kerala, where the pressure of population on land is the heaviest in the country and where subdivision of holdings into tiny plots has reached menacing proportions, the only possibility of increasing agricultural production by using modern science and technology is through collectivisation. But it is doubtful whether the Illithode experiment, even if it shows some signs of success initially, will help to extend the idea of collectivisation to larger areas by inducing existing farmers, as against those who

are newly settled on land, to change over to it. Collective farming is a way of life. It requires a new social and cultural pattern.

For that, education and motivation of a different type are necessary. Only a true socialist state can provide that, not a semi-colonial one. These types of experiments may help to create an illusion in the beginning, but they will end in disillusionment. In the process, the very idea of collective farming may be discredited. If the government really believed in socialism, it would have converted the entire Kuttanad — the rice bowl of Kerala — into a collective farm. For, in Kuttanad, one finds the most class-conscious and hard-working agricultural workers who would have made a success of collective farming. And that would have given a new complexion to the grand Kuttanad development project, costing about Rs 30 crores, work on which was inaugurated on March 24.

Kuttanad is a word to conjure with. It lies in the two districts of Alleppey and Kottayam and covers an area of about 638 square miles. Four rivers flow to the sea through this area. During the south-west monsoon, the entire area is flooded and looks like a sea. Still, it is thickly populated and has a density of 2,668 per square mile, compared to the state average of 1,419. It has a literacy rate of 72 per cent, against the state average of 60 per cent. To understand the intensity of the land problem in Kerala, one has to appreciate the odds against which rice is cultivated in Kuttanad. Conditions there have to be seen to be believed. Nowhere are promptness and devotion to work so necessary as in the rice fields of Kuttanad.

Rice is actually cultivated in Kuttanad in lands lying two metres below sea-level. There are 50 villages and 1,129 *padasekharams* (collection of holdings) which are grouped into 439 blocks. Each block is protected by earthen bunds. The bunds are submersible as the fields have to be flooded to correct the acidity of the soil. After the monsoon, the entire water is drained out. Cultivation starts from September-October, and harvesting takes place in December-January. Floods during the monsoon and salinity from the sea during summer are a constant threat to rice cultivation in Kuttanad. It is quite common for bunds to be breached during the floods. In these conditions, the growing of even a single crop is a miracle. Now the proposal is to raise

two crops, and later even three. The Kerala Land Development Corporation, a fully state-owned company, has drawn up a scheme to raise two crops and the Agricultural Refinance Corporation has agreed to refinance it.

The project provides for construction of permanent submersible bunds of a total length of 1,966 km. This would enable the raising of a second crop of rice on 1.25 lakh acres. The bunds will be constructed with locally available materials, such as clay, sand, and rubber. The top width of the bund will be seven to ten feet. The plan is to plant a row of coconut trees on the bunds. To ensure the success of the project, certain infrastructure requirements have also been provided for. The main items of infrastructure are: (a) improvements to the leading channel to the Thottapally spillway; (b) protection works for the bunds affected by the operation of the spillway; (c) diversion of the Idikki tail-race waters from the Muvattupuzha river basin to Kuttanad rice fields; and (d) the Thanneermukham barrage and locks to prevent entry of sea water into the rice fields. The total cost of the project, including the infrastructure, is estimated at Rs 29 crores; of this bund construction may cost about Rs 20 crores.

STICKING TO TRADITION

With this investment, the Kerala Land Development Corporation (KLDC) expects to raise a second crop between January and May, which may yield 1.50 lakh tonnes of rice (paddy) valued at Rs 10 crores, besides 13.2 million coconuts valued at Rs 60 lakhs annually. One of the highlights of the programme, repeatedly stressed, is its high employment potential. In the fifth year of construction work, 18,000 workers are expected to be employed on daily wages. Doubts arise, however, as to how enthusiastic the worker will be to complete the work if he is not sure of alternative employment later. This is a problem which has plagued the Canadian-aided Idikki hydro-electric project.

The Kuttanad project is so phased out as to be completed in six years. The finance for bund construction would be provided by commercial banks and the ARC will refinance the banks upto 80 per cent. The state government will contribute Rs 8.80 crores. After getting money from the banks, the KLDC will advance loans to individual cultivators for construction of bunds at 9 per cent interest, repayable in 15 instalments with a moratorium for the first two years.

The Corporation has asked the cultivators of each *padasekharam* to send applications for loans along with a copy of the resolution passed by the cultivators of the *padasekharam* agreeing to participate in the project and providing numerous particulars of the kind that bureaucrats like to have. It is not yet clear who will be responsible for the construction work. Will it be the cultivator, under the supervision of the Corporation? Or will the Corporation undertake the responsibility and entrust the work to private contractors?

KASHMIR

Prolonging Dependence

Balraj Puri

THAT all is not well with the finances of Jammu and Kashmir state is indicated by the fact that the repayments of the Central loans to the state, due in the budget year, amount to Rs 62.75 crores. If this amount is actually paid, the state would be left with just enough to pay the salary bill of its administration — but with no money for its other administrative expenses and none for its developmental and welfare activities. Total indebtedness of the state is expected to be Rs 272 crores. Other states of the country, too, are indebted to the Centre. But while the per capita debt burden of all the states was Rs 120 in April 1971, it was Rs 467 in the case of Jammu and Kashmir. In the budget year, it would rise to Rs 589.

Obviously, the state cannot and will not pay its debt obligations, which would be deferred or even scaled down. But whatever happens to the past burden, the budget does not indicate any strategy for enabling the state government to stand on its own feet even in future.

PRECARIOUS DEPENDENCE

Practically the entire capital budget and most of the plan budget of the state would still be financed by the Centre. The state does not expect any surplus on revenue account, which is estimated to end in a deficit of Rs 2.41 crores. The non-plan revenue deficit works out to Rs 3.76 crores, exclusive of amounts due to the Centre on account of interest on the Central loans.

The budget betrays a precarious dependence of the state's finances on the Centre. Revenue receipts of the state, estimated to be Rs 106 crores in the budget year, include Rs 55 crores as grants-in-aid from the Centre, and over

Or will the construction be done departmentally?

These are vital questions, because it is not in the formulation of projects but in their implementation that the government often falters and fails. At Illithode, the government trumpets the settlement of a few families of landless agricultural workers as an advance towards socialism. But when it comes to a challenging project like the Kuttanad one, it sticks steadfastly to traditional methods. One can see from this the distance that remains to be travelled to reach the goal of socialism!

Rs 10 crores as the state's share in the divisible pool of the Central taxes. That the Central grants are really generous would be indicated by the fact that, on per capita basis, the state has been getting three times the average grant of all the states of the country.

SINGLE LARGEST SOURCE

Revenue receipts from the state's own sources come to about Rs 41 crores. A part of this amount, too, is illusory. For, it includes gross receipts of the departments from which expenses have not been deducted. Taking the case of forests — the single largest source of internal revenues — the state would spend about Rs 453 lakhs on revenue account (mostly non-productive) against an expected income of Rs 740 lakhs in the budget year. The income of Rs 576 lakhs from transport schemes must be similarly discounted by an estimated expenditure of Rs 536 lakhs. On public works, irrigation and power, revenue expenditure far exceeds receipts.

The state's total tax revenue, from its own sources, is expected to be just over Rs 16 crores. Out of this, land revenue would yield Rs 60 lakhs, while expenditure on the department and collection charges is estimated to be Rs 99 lakhs. The single largest source of tax is excise — mostly from the sale of and duty on liquor — which is expected to yield Rs 519 lakhs, i.e., about one-third of the state's internal tax revenues. Other taxes include Rs 429 lakhs from road toll and Rs 335 lakhs from sales tax.

Kashmir's tax effort would thus seem to be extremely meagre. According to the Reserve Bank Bulletin (August 1971), the tax revenue of the state was 12.7 per cent of its total revenue in

1971-72, while the average contribution of taxes in the revenues of all states of India was 42.8 per cent. Again, per capita tax revenue of Kashmir was estimated at Rs 17.4 in 1971-72, against the average per capita tax revenue of Rs 30.4 for all states.

It needs to be noted that it was against the background of such budgetary performance that the state Finance Minister and his party men nevertheless took much credit, during the discussion of the budget in the state Assembly, for not imposing any fresh tax for the budget year. Taxation, however, is not only a means for raising the much-needed extra resources but also for reducing disparities and bringing about other socio-economic changes.

PROBLEM OF DISPARITIES

The suggestions in the Assembly from the opposition, that some taxes should have been imposed on the rich, were answered by some Congress members with the retort that there were no rich in the state. Yet, it hardly needs any evidence or argument to show that the problem of disparities is far from being finally solved in the state. By sparing the rich and the poor alike, the Finance Minister has opted for a *status quo* budget, and by remaining neutral in the unfair competition between the rich and the poor has actually sided with the rich.

No reference has been made in the budget or in the Finance Minister's speech to the recovery of full or part of the arrears of Rs 15 crores of the forest lessees that are pending for the last several years. The state has given no indication that it means to implement the Raj Committee's recommendations regarding levying agricultural income-tax — though it admits with pride that fruit growers and progressive farmers have multiplied their incomes in the recent years. Again, the state proposes no tax on appreciation of urban land, unearned incomes, manufacture and sale of scarce goods yielding abnormal profits in black or white, affluent professions, and items of luxury.

The reluctance of the state government to explore avenues for augmenting its resources is matched by a rather reckless expansion in its non-productive expenditure. Just the salary bill of the state is believed to have increased by more than 20 times in as many years. At Rs 40 crores it is, after agriculture, the largest source of income of the peo-

ple of the state. But, unlike agriculture, administration is not a self-generating source of income. That the present size of the administration is a strain on the finances of the state is evident in the fact that the state spends almost all its internal revenues on maintaining its staff. The state government must realise, before the strain on this account becomes too heavy, that this source of employment-expansion and income-generation cannot be pressed too far.

The state cannot remain unmindful of the economic cost of even its social services. The pride with which it flaunts the fact that its per capita expenditure on education has increased from 80 paise in 1947-48 to Rs 28 in the budget year, must be tempered by the costs involved and the results achieved. In this case, the social costs also might soon become prohibitive. For the overcrowded colleges and universities are producing graduates in arts, science, law, medicine, and engineering, most of whom are unwanted and are only contributing to the growing unemployment, frustration, indiscipline and tension. Neither the economy nor the social system can for long stand this merely

quantitative explosion in higher education.

The achievements of the government can not be measured merely by its ability to spend money; it has to be measured also by its capacity to raise money and the quantitative and qualitative returns it obtains on the expenditures incurred. In fact, the fiscal performance of the government has to be judged in the broader perspective of the impact it has on the socio-economic life of the people.

NOT AN UNMIXED BLESSING

Unless the Central Government decides to write off its entire past loans to this state and convert future loans into grants, the state's present pattern of finances simply cannot be sustained. Even if this were done without fiscal discipline, efficient and honest administrative machinery, active redistribution measures, and a dynamic strategy of development, the inflow of Central money into the state would not be an entirely unmixed blessing; for, the rise in prices and the widening economic disparities would erode a part of the economic gains as well as add a positive social loss.

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INDUSTRIAL CAPACITY

Making Confusion Worse Confounded

(From a Special Correspondent)

THE issue of the Reserve Bank's *Bulletin* carries a study of what is described as "the index of potential production" of manufacturing industries in 1971. This is the fourth in the series of such studies. The first one, published in April 1970, related to the period from 1960 to 1968 and also described the methodology used. The present study brings the data up to 1971.

The first study had claimed that the index of 'potential production' was intended to get over the limitations of the existing data on installed capacity and the consequent difficulties in making analytical use of capacity-output ratios. The government's industrial statistics, particularly those relating to installed capacity in different industries, are, of course, in a state of chaos. The industrial licensing authorities often have only the vaguest notions about the rated capacities of many units. There is, first, large-scale installation of unauthorised capacities. This is now officially admitted. Further, the concept of capacity used by the licensing authorities is far from uniform for different industries or even different units in the same industry. In some cases, it is related to annual physical output irrespective of the number of shifts worked (e.g. cables and wires), in some others it is related to physical output on the basis of the number of shifts worked (e.g. chemicals, engineering and continuous processing industries). Even in respect of the latter category of industries, the prescribed norms are not uniformly applied. An earlier study by the Reserve Bank had shown that, while official sources like the CSO's 'Monthly Statistics of the Production of Selected Industries' classified 16 chemical industries as working single-shift, they were actually found to be working on three-shift basis (RBI *Bulletin*, April 1969). Likewise, seven metal and engineering industries were found to be working on two-shift basis, while the CSO showed them to be on single-shift operation.

This is the reason why actual production in many industries exceeds their installed capacities as reported by CSO. The officially reported capacity is sometimes totally unrelated to the installed capacity. For finished steel, for example, actual capacity had reached 5.5 mn tonnes at the end of 1966-67 and 6.9 mn tonnes in 1969-70. These figures have been widely used in Plan documents. And yet the CSO persists in presenting an installed capacity fi-

gure of 3.60 mn tonnes.

There are also problems raised by (i) capacity in small-scale units which are not covered at all by CSO data; (ii) non-comparability of time series data because of changes in criteria for registration as units other than small-scale, as happened in 1969; and (iii) non-reporting by units and consequent underestimation of output/capacity. Some of these problems arise from official sloppiness; others are inherent in the concept of industrial capacity, which can be altered by adding small balancing equipment or by changing the product-mix.

But while the official statistics of industrial capacity are thus certainly suspect, the value of the solution offered by the Reserve Bank's study in question is equally doubtful. The method used in the study is simple: take the peak level of production in any month of the year or any earlier year after 1960 and relate it to a similar monthly peak production for the year 1960 and call the resultant index the "production potential index" with base 1960 = 100. The average monthly output for the year, expressed as percentage of the peak output gives the utilisation of the "production potential". With this simplified methodology and with a computer, the possibilities are immense: industries can be aggregated or classified into groups and sub-groups and for each group or sub-group it will be possible to present potential production indices, the growth rates of production potential and utilisation ratios. This method of capacity measurement has been used by the Wharton School in the US for the US and six European countries. However, what may suit the conditions of the American economy are not necessarily appropriate for this country.

In a period of rising output, the peak output index for non-seasonal industries is generally achieved in December. Even for seasonal industries like sugar and textiles, the peak output is in that month. Therefore, in all the years since 1960 the CSO's (unadjusted) index of industrial output has always experienced its monthly peak in December (see CSO's 'Monthly Statistics for 1971', p 279). Consequently, the RBI's index of 'potential production' for each year should in effect be the index for December of that year. If it is not, the reason may be found in the exclusion of mining and other industries account-

ing for a weightage of 18 points and the assumption made in respect of seasonal commodities that their annual average production index represents the potential for the respective years. Even when the peak level of output for some commodities and groups has been attained in any month other than December, or if the level relates to some month of an earlier year, such aberrations will not alter the aggregate potential index for the manufacturing sector as a whole, because it has been derived from the very CSO index numbers for individual commodities/groups which, when combined, give the peak index for December each year. In the circumstances, the trends in RBI's potential index for manufacturing industries as a group should represent generally the trends in the index numbers for December in each year. It is difficult to understand how these are analytically more useful than the original index numbers themselves.

Neither do they represent trends in industrial capacity in individual industries or groups of industries. While for multi-product groups, no single figure of capacity can be cited, it is possible to cite examples of single-commodity groups, such as cement, for which physical capacity figures can be obtained separately and compared with the index of potential production and utilisation ratios presented in the RBI study. For cement, total installed capacity has gone up from 12.58 mn tonnes in 1966 to 19.39 mn tonnes in 1971, showing a rise of about 55 per cent. During the same period, actual cement output has risen from 11.06 mn tonnes in 1966 to 14.90 mn tonnes in 1971, showing a rise of 35 per cent. As a result, the capacity utilisation ratio of the industry experienced a fall from about 87 per cent in 1966 to 77 per cent in 1971. In contrast, the potential utilisation ratio worked out by RBI is the highest (at 92.2) for 1971 for any year since 1960. Again, in 1971, a year when actual capacity utilisation by the industry declined from 80.4 in 1970 to 77 per cent, RBI's utilisation ratio showed a rise from 89.3 to 92.2. Even technically, 92.2 per cent utilisation is unrealistic for the cement industry. As against the rise of 55 per cent in installed capacity between 1966 and 1971, the RBI's potential production index shows a rise of 29 per cent.

Thus, if industrial groups are split into separate commodities, it will be clear that the series of index numbers and ratios given by RBI do not explain any aspect of the country's industrial economy — growth in installed capacity, or growth rate of output, or trends in utilisation of installed capacity.

New Position of Women

Harish Chandola

I CANNOT help finding reflections of the present-day life in my country in the not so distant past of North Vietnam. For instance, when members of the Vietnam Women's Union (VWU) tell me that, before the Vietnamese revolution, the birth of a baby-girl was received coldly by the father because she could not continue the lineage and perpetuate the family heritage. Or when people in the village tell me of the old folksong, sung as a lullaby by mothers with their baby-daughters in their arms:

"A woman is like a drop of rain.
No one knows whether it will fall
into a palace, or the mud of the
ricefields".

I am back in my country, where this is how things are today. And I have to tear myself away from those old stories and songs and look around to realise that I am in a different country, transformed by the Vietnamese revolution.

Outside, here, there are women in their combat positions, manning anti-aircraft batteries, driving ploughs, and operating complex agricultural machines — things done before by men only. In other houses, in the same village where I hear the old and new stories, I can see husbands performing household chores and taking care of children, while their wives are away at evening classes or at meetings.

Yet, it is the same Vietnam, a country where the poor peasant and his wife have worked hard and struggled together for the survival of their family. The man ploughed and the woman transplanted the seedlings. Like in my country, this is still the familiar sight in Vietnam, and a realistic example of equality of the sexes in production work. In the field, the woman is truly man's equal because of her patience and industry.

Among the common people, this common struggle for survival and the sharing of hardships has eliminated the idea of man's inborn superiority and strengthened the husband's and wife's mutual affection. "Together, they tasted the bitterness of life and experienced cold and hunger." In a folksong, a woman says to her husband:

"Even if we have to climb mountains, I will follow you,

Together we shall go our way, leaning on each other,
To feed ourselves, we shall pick wild fruit".

Among the common people, the woman was the equal of man in family life. When invaders attacked Vietnam, women assumed the responsibility of production work and household duties. The Vietnamese women have participated in struggles against invaders for a long time. In the year 40 AD, two sisters, Trung Trac and Trung Nhi, had led a successful insurrection against Chinese feudal domination. Through her victory, Trung Trac "avenged her murdered husband and paid her debt to the fatherland". Vietnamese history is full of stories of such roles played by its women in defending the country.

STORIES OF COURAGE

In 1952, during the struggle against the French, there were 840,000 women guerillas in North Vietnam and 240,000 in South Vietnam. Other women engaged in political struggle, consisting of propaganda campaigns aimed at impairing the morale of their enemy's troops. Supply to the front was mostly ensured by women. The women peasants of the Fourth Zone devoted 200,000 workdays to the transport of ammunition and food, the repair of roads, and care of the wounded for the Dien Bien Phu campaign alone.

There are glorious stories of women's courage and determination during the present phase of their struggle against aggression. They engaged in clandestine activities, joined the South Vietnam Liberation Front, and in spite of repression, succeeded in infiltrating into factories, markets, and workers' quarters to rouse the national conscience and kindle the flames of popular struggle.

One such woman was arrested during a mission. She refused to give her torturers any information. They asked: "Who are your comrades?", "Who is your husband?", "Where are your children?". But she remained scornfully silent. So they killed her. On the wall of her prison cell, she had however written the following poem with her own blood:

"A rosy-cheeked woman, here I am
fighting side by side with you, men!
On my shoulders, weighs that hatred

which is common to us.
The prison is my school, its mates my
friends,
The sword is my child, the gun my
husband."

Or there is the story of an old woman in a poor village in the Mekong delta who was caught while trying to hide a big pot full of rice. "This rice is surely reserved for the guerillas", bellowed the officer who searched the village, "where are they?". Then the soldiers struck her with rifle butts. The old woman raised her head proudly. "I am old", she said, "and cannot carry a gun. But my children, and there are thousands of them, all over the country, will kill you all. I am not afraid of dying." The soldiers killed her.

It was through their massive participation in the national struggle, first against colonialism and later against aggression that the Vietnamese women won a position of equality with men. In fact, the North Vietnamese women today enjoy a higher status in society than that enjoyed by women anywhere else. And it is now usual to address the Vietnamese women by their own names and not by the names of their husbands, which was the practice before.

It is quite common for the young men to go to the front for fighting. The task of agricultural production has therefore to be borne almost entirely by women; women constitute 90 per cent of labour in agriculture. Industrial production is dependent on women, because they constitute 50 per cent of the labour force in the factories. Women and old folks are responsible for all the production of cottage industries and handicrafts. In fact, if the women had not shouldered the tasks in the rear and, by doing so, freed the men for fighting, the Vietnamese struggle would not have achieved the victories it has done.

True to their old tradition of sending their men to fight, mothers ask their young sons to join the army. Young wives add their signatures to those of their husbands on the latter's applications to enlist in the army. On the wall of the Laiyen Agriculture Co-operative Club, in Ha Tay province, you can see a verse written by a woman, dedicated to her husband:

"Go and achieve brilliant exploits,
I'll take care of the house and the
village fields."

It was out of necessity that the Vietnamese society had to mobilise the "reserve labour force" of women in the country to take up the tasks from which men were being called away to join the army. Before the US started

escalating the war, North Vietnam had, in 1960, started its programme of socialist industrialisation, which began taking away men from their work in the fields. From 1964 onwards, more men had to be taken into the army to go to the front for national defence. All of them had to be replaced by women.

But socially it was not an easy task to make the people accept the fact that women were capable of holding responsible positions. Experiments had to be carried out and lessons drawn. For instance, in 1960, the members of the Thanh Thuy Party Committee (the district committee of the ruling Workers' Party) did not agree with one another on the capabilities and role of women. The Party Secretary Chu Van Loc, then suggested that they should go to the various communes and carry out an investigation on the work done by women. This brought to light many interesting discoveries: Women performed more workdays than men; they knew as much about the situation of the fields; they made up 70 per cent of the labour force; they were more industrious and hard-working; they had less opportunities to learn and received neither help nor support in the accomplishment of their tasks.

Following this investigation, it was decided to appoint women cadres in Thanh Thuy district. But this decision was not accepted at a general meeting of communal Party secretaries. "With the women at the helm", someone shouted, "it will be the end of everything!" Chu Van Loc then convened a meeting attended by 540 women, to discuss the role and capacities of women. All communal Party secretaries were invited to this meeting. The women talked about their aspirations and the difficulties they had been meeting with. Many criticised a number of leading cadres of the Party who had preconceived ideas about women and showed lack of responsibility in the matter. When Chu Van Loc asked the audience to nominate women of ability to run co-operatives and communes, names of a dozen candidates were put forward and people gave their opinion about their capacities and moral conduct. Later, another investigation was carried out in another commune, which definitely convinced the communal Party secretaries.

All Party cells, in the co-operatives and communes, were required to hold self-criticism meetings in which their members would acknowledge their erroneous conceptions and their lack of responsibility in promoting the women's

movement and appointing women cadres.

Thus Thanh Thuy's errors were redressed. By late 1965, women co-operative presidents and work brigade leaders accounted for 25 per cent of the total number of cadres. In 12 out of 15 communes, women were secretaries of the Party communal committees, presidents and vice-presidents of the administrative committees, and there were an even greater number who were co-operative presidents.

In 1960, the Law on Marriage and Family was promulgated. This law was based on four fundamental principles: freedom of marriage; monogamy; equality of the sexes and protection of the rights of women; protection of the rights of children. This law finally liberated women from the feudal family; it created favourable conditions for the development of the capacities of women and their still greater participation in the building of the new society.

In 1958, the three-year plan for the complete liquidation of illiteracy was completed. By then 90 per cent of women could read and write. Complementary courses were opened in factories for women workers to help them learn new skills. In villages, new agricultural techniques were taught to women co-operative cadres, presidents and members of managing committees and work brigade leaders. Refresher courses were organised for secretaries, accountants, and statisticians of co-operatives, by provincial and district administrations.

In general education, dispensations were granted to girls, especially those from worker and peasant families and from national minorities. To facilitate the access of women workers and peasants to universities, complementary education schools were opened for those who were too old to enter general education schools. Women cadres, who distinguished themselves by their work and moral conduct, were sent to attend colleges while receiving full pay.

Following several years of effort, the proportion of women in many fields of activity has become very impressive: 80 per cent in education and 75 per cent in health services. In towns and cities, the VWU has grouped housewives into handicraft teams (knitting, weaving, basketwork, etc) to help them lead an independent life and at the same time add to their families' income.

Because of the increasing participation of women in social activities, the State and the VWU is trying to free them from some of their household duties. In towns and villages, there are now nurseries and kindergartens where

working women can leave their infants and children in the care of nurses and schoolmistresses. Canteens and restaurants have been set up to cook and serve meals to women busy in production work. In the countryside, especially at harvest time, infant classes and kindergartens multiply. A movement of the "three look-afters" has been created, which asks a few specialised people to look after one's children, to cook one's rice and do one's shopping. These functions are assumed by some members of the farming co-operative itself. Thus freed from domestic duties, women peasants can devote all their efforts to the crops at key moments of transplanting rice seedlings and harvesting.

Never has any aggression been so cynical, brutal and barbarous as that by the US against the Vietnamese people. Both in North and South Vietnam, the US had brought the war to the most remote hamlets. In this war there was no 'rear', the woman in her house with her children was at the front-line.

On March 19, 1965, the Vietnam Women's Union (VWU) launched the movement of 'Three Responsibilities' to mobilise North Vietnamese women for carrying out these tasks:

- (1) Production and other tasks, in place of the men who had gone to the front.
- (2) Taking charge of family affairs in the absence of husband or son.
- (3) Giving assistance to the fighters at the front and undertaking, if necessary, combat duties.

Not only production had to be maintained, but productivity had to be increased with the use of improved technique, better tools, and means of production. Family affairs, had to be managed well, providing good education for the children, looking after old people whose children were at the front, helping the families of combatants and war wounded — particularly families of those who had sacrificed their lives for the country. Women also joined in defending the village and in maintaining order and security; they brought supplies to the combatants, found lodging for them and looked after the wounded; to take direct part in the fighting, they joined the people's militia and underwent combat training.

A young wife's letter to her husband at the front reads: "Dear, I can now take your place in ploughing and harrowing the fields. You need not worry. For the winter-spring crop I have got the highest mark in my work brigade. I wish you good health and brilliant successes. I long to hear from you".

Everywhere one finds this new breed

of women who are loving and discreet, energetic and brave, and as devoted to the interest of the collective as to their own families. A new way of life has developed among them, which is simple, healthy, and vigorous.

In the factories women workers learnt to take charge of the management. In factories and at construction sites the watchword of women workers was: "to master one trade while becoming familiar with several others", so as to be ready to replace men when they join the armed forces.

The VWU, which brought about this mobilisation of women, is a mass organisation. It has five million members and 10,000 of its cadres are engaged in propaganda to encourage women to fulfil the tasks entrusted to them. The President of the Union is Nguyen Thi Thap, who is also the Vice-Chairman of the National Assembly. She has dedicated her life to organising women. Members of the Union told me that they considered the war a great challenge to their society. In North Vietnam, they said, over 10,000 children had become orphans because their parents had been killed in the bombings since 1964. Thousands of children had been killed and thousands had been crippled. They told me the story of a Buddhist family in Nam Ha province. The grandparents were praying and the grandchildren were playing when the US planes came. The grandchildren rushed into one shelter and the grandparents into another when the bombing began. When it stopped, the grandparents went to take the grandchildren out. But they found them lying in a pool of blood, because one grandchild's arm had been blown away. The child was treated, but he remained without an arm. From time to time, he would ask: "Grandmother! can my arm grow again?" Through his experience he knew that when a person loses one arm, he loses a part of his life! There were thousands of cases like that. Rehabilitating them had become a great social preoccupation. The Union officials said one of their workers, whose husband was at the front, worked in Haiphong port. She lived in an isolated hamlet with her children and used to come to work from there daily. There was no soldier around that hamlet, no missile site, no military targets. But on April 20, 1972, the US planes dropped about 100 bombs on it and razed it to the ground. When she came back from work, she found her three children dead in the air-raid shelter she had built for them. She had made beds and

study-tables for them. All those had been blown to bits. What was left was just one sandal of her youngest child.

In Kham Thien street of Hanoi, I have seen women crying because they had lost their dear ones in the December 1972 bombing. A young woman named Mai said she had just left her 10-month-old baby after he had gone to sleep to go to a neighbour's house. She had hardly reached there when the bombers came and when she returned she found her house reduced to rubble and the body of the baby lying in the debris.

The indignation of the women was one of the reasons why the women's movement developed steadily. The VWU encouraged the women to shoulder the tasks of organising defence. The sharing of suffering and misery, and the collective indignation created a new feeling of solidarity. In various destroyed places you could see girls bringing out their only best clothes to cover the body of their friend killed in the bombing. Women gave the best clothes of their children killed in the bombing to the children of their neighbours.

Because the Vietnamese women had to assume new tasks, they had to raise their educational and cultural level to be able to carry out those tasks efficiently and successfully. North Vietnam has now 45,000 women who have graduated from universities and institutes. About 70,000 have passed from technical schools. At present there are 50,000 young girls in institutes and 70,000 in high schools who will all become technicians, engineers and experts in the future.

Women are also playing a greater role now in governing the country. Forty per cent of administrators at the village level are women. The National Assembly has 30 per cent women. Eleven women hold the rank of deputy minister in the Government.

Women have not only continued production, they have considerably increased the yield. It is common sight to see women working in the fields with rifles slung on their backs. Their motto is: "When the enemy comes, we fight. When it goes away, we carry on production." The women workers in industry have carried out production work in spite of the bombing. They know that they might get killed by the bombs while working in factories; but they continue their work calmly and bravely.

Here is a story of a woman worker in Viet Tri power station, in the north-west suburb of Hanoi, who got killed in the recent bombing. Her husband was away in the army, fighting at the front.

She was in charge of supplying coal to the power station. She continued her work when the US planes came. At home, she had a ten-year-old son. When she died, her co-workers went to see her son. They were worried that the child would be very distressed to hear of his mother's death. But the boy remained very calm. He said his mother had told him that she might get killed while working. She had also told him that he might then have to live with uncles who would come to fetch him. He then pointed to them a suitcase in which his mother had kept his clothes. He showed them where his mother kept her belongings. He then showed them a bank pass-book in which were shown the savings his mother was making for him. He said his mother had told him that if she died, he should tell his father, when he came back from the front, that she died fulfilling her task. The child is now being brought up by the workers of the power house. "We are very fond of him and very proud of his family", they say.

The leader of the Thai Nguyen Steel Factory is a woman, belonging to a national minority. She had joined the factory as an ordinary worker. She had five children then, and her husband was away in the army. Not only did she look after her children, she studied in her spare time and passed the sixth form. She also worked hard at her work and was acclaimed as a model worker. In 1968, she was awarded the President Ho Medal for her achievements. When Vietnam Radio announced the news and broadcast a commentary praising her, her husband was in a trench on the battlefield. He heard the news and was full of joy. At that time there were 10 soldiers of his group in that trench. They had just one cigarette between them. So they celebrated his wife's victory by sharing that cigarette.

Now that the Paris Agreement for ending the war in Vietnam has been signed, women are organising themselves for the task of rebuilding their country and healing its war wounds. The VWU officials told me that their task was also to see that the living and working conditions of women improve and they get more opportunities to study literature, science and technical subjects. They had also to bear the responsibility of rehabilitating the children who had lost their parents and those wounded and maimed by bombs; and they had to look after the families of those who had lost their lives in defending the country.

SOUTH AFRICA

The British Investment in Apartheid

A K Essack

THE revelation by *The Guardian* (London) of the starvation wages paid to African workers in South Africa raised a hornet's nest and many British companies got stung. For decades, British companies have encouraged and abetted the official policy of segregation and apartheid and extracted fat profits for themselves by plundering the human and other resources of South Africa. Now with *The Guardian's* revelations they cannot hide the facts any more, for it has been shown that it is they who, more than any one else, have been involved in the exploitation of the South African oppressed.

A starvation wage is defined in sociological jargon as a wage below the poverty datum line (PDL). *The Guardian* explains the PDL as "the minimum income, determined by nutritionists and social researchers needed by an African family simply to exist. It does not allow for medicines, education, savings, holidays, furniture and blankets — any luxuries at all — even the odd bus ride."

WAGE STRUCTURE

The PDL for a worker with a family of five has been calculated at about 90 US dollars per month. There are five hundred British firms operating in South Africa. *The Guardian's* investigator, Adam Raphael, analysed the wage structures of a 100 British firms and found that, with the exception of Shell, ICI and Unilever, all the firms were paying their African workers wages below subsistence level.

The alibi used by some firms was that they would be violating South Africa's apartheid laws if they paid a wage above the PDL. On this point the liberal paper of the British establishment quotes an extract from the British Department of Trade which advises potential investors. The Department flatly states: "The impression that legislation effectively prevents employers from improving the wages and conditions of service of non-white employees is mistaken. Employers retain a good deal of flexibility in these areas."

The exposure by *The Guardian* is not over the more fundamental question of abolishing completely a colour bar in wages and work or of instituting equal pay for equal work. The issue is simply one of whether on the wages paid

by the British firms, the African workers can survive as human beings and whether they can bring up their children free from diseases like kwashiorkor and pellagra — the diseases of malnutrition.

Those involved in perpetrating this inhumanity are now trying to exculpate themselves. Vorster, one of the arch-priests of apartheid, has said that there was a need to pay the African a living wage. The organisation of the Afrikaner bourgeoisie, the Afrikaans Handel Instituut, has laid the entire blame on the foreign companies for the low wage structure because they "control 80 per cent of South Africa's industrial production". Grobbelaar, Secretary of the all white South African Trade Union Council has stated that "British companies are no worse than German, American or other foreign companies operating in South Africa... the employers, whatever their origins, protested when the Wage Board recommended wage scales". But the Trade Union Council is equally guilty as it is totally against African workers joining it. It has thus prevented African workers from using the most effective machinery for improving their position.

The Guardian's correspondent who visited the companies of many of the African workers was appalled and shocked at their wretched and pitiable state. In one case he saw sores on children's backs due to plain starvation and their distraught father said: "My children are dying but I cannot buy milk".

The correspondent also noted that the worst offenders were those British firms which operated in rural areas. He listed a few like Slater Walker, Tate and Lyle (which also have interests in Zambia) and Natal Tanning Extracts. The views held by some of the company officers were no different from those of the white Nationalists. One Blimp who went by the name of Air Commodore E I Moses said: "You must remember these Bantu are mostly illiterate. And they are unproductive at first — we have to build them up. At home they just lie around and have a good time". The Chairman of Tate and Lyle rationalised: "Our policy in a particular country is to follow local practices".

The report also indicted a number of multi-national corporations which have subsidiaries in independent African states. British Leyland, whose trucks

are seen all over Africa, was one of those which came in for criticism. Its Chairman, Lord Stokes, had said at a shareholders' meeting last year that its workers were the best paid in South Africa. However, Leyland South Africa has now conceded that the wages it pays to its African workers are lower than those paid by its American rivals in South Africa, General Motors and Chrysler. Some of the other companies listed in the report are, Portland Cement, Metal Box, Courtaulds, General Electric, Reed, Rowntree Mackintosh, Chloride Electricals and British Foods. Some of these firms were much more sophisticated than the Colonel Blimp of Illovo Sugar Estate. They tried to wriggle out by saying that the wages they were paying were above the PDL. But this explanation was later found to be a deliberate lie. Another correspondent subsequently discovered that they were in fact paying wages well below the PDL because "with one exception, none of the companies which vehemently denied *The Guardian's* reports was willing to back up its claims with a detailed break-up of the wages".

FEARS ABOUT LABOUR

Just how much Britain benefits from the operations of its companies in South Africa can be seen from the fact that on an average British firms do not get less than a 12 per cent annual return on their investments, making South Africa Britain's second most profitable field of exploitation after Malaysia. It is, therefore, not very surprising that *The Guardian's* indictment was widely supported by the British press and other forums of public opinion, from the diehard Conservative to the radical. Behind this widespread support is the fear that unless some wage concessions are made to African workers, there could be serious labour troubles in South Africa. (It is significant that many of the same newspapers and other organs of opinion which have called for increased wages for the African worker are supporting Heath's wage freeze and condemning the strikes of the British worker.) This fear has been accentuated by the strikes last January-February of some African workers in South Africa.

Not since 1945, when the mine workers struck work, have African workers come out in such force. These workers have grown up in urban areas and know of no other life than that of the towns. In other words, these recent strikes were organised by an educated and sophisticated urban proletariat. In

January-February, only about 150,000 out of the two million strong industrial working class struck work. Adding the one million agricultural workers and the six hundred thousand mine workers, the African working class makes up a formidable force in South Africa.

It is the potential strength of the African workers that has caused apprehension within the white establishment, both in South Africa and Britain. In the long run the British companies may find themselves thanking *The Guardian* for these revelations. Some of them

have already granted minor wage increases to ward off serious labour troubles.

But these are mere palliatives because the African workers continue to be at the mercy of their employers as long as they do not have the right to organise themselves into trade unions. Their economic disabilities flow from their lack of political rights. Their economic problems as also those of education and social upliftment are directly connected with the basic question of who wields political power.

farming not being "viable" because of landlord-moneylender exploitation, is nowhere realised in the book. Thus, there are many logical contradictions in the authors' analysis. Their prescription for eradicating famine is essentially the technical one of increasing irrigation. If famines are primarily the result of the socio-economic order, then how could famines possibly be eradicated without a change in the socio-economic order? That to increase irrigation in a manner which would make it available to the mass of the peasants would itself require a transformation of the economic relations, the authors do not understand. At the same time, in another place, they point out that external factors, like the development of speedy means of transport, need not lead to mitigation of the effects of famine, since, as happened in India, the railways can be used to export foodgrains. Yet, that the effect of speedy means of transport depends upon the social structure within which it operates, again seems beyond the authors' understanding. Again, the authors deplore the rise of "anti-social" activity like looting of foodgrains stores, but don't see its connection with the hoarding of foodgrains by landlords, which they mention in the very next paragraph.

POLITICS OF RELIEF

To come back to the main theme, the superficial understanding of famine put together with the concept of social work based on a "professional relationship", gives us Jayaprakash Narayan saying, "Aid may have its politics but not relief", and following this with, "My appeal is also to the bigger farmers of the state who have stocks of grain". Despite what Jayaprakash Narayan may say, the politics of his kind of relief is apparent in his 'appeal' to the bigger farmers. That relief is apolitical is the doctrine put forward by the ruling classes and their political representatives. Jayaprakash Narayan supposedly renounced politics, but when the people are continuously losing faith in established political leaders, the Sarvodaya leader plays an important role in filling that void.

Reading this book one wonders if the persons involved could be as naive as they seem. Then remembering the record of Jayaprakash Narayan and the timely interventions of the Sarvodaya movement, one sees that the leaders are anything but naive. They may fool many of the people who work with them, but the leaders surely know what they are up to.

Non-Brahmans and Communists in Bombay

Gail Omvedt

This paper studies the radical working class movement which emerged in Bombay in the late 1920s and which brought together, in curious fashion, an emerging communist leadership with the leaders of the largely peasant-based non-Brahman movement. The ambiguities and outcome of these contacts and conflicts were decisive not only for the development of social radicalism but also for the direction of the nationalist movement in Maharashtra.

While the focus of the paper is on the Bombay working class, the larger issue is the relationship of the 'cultural revolutionary non-Brahman movement with nationalism and communism. The purpose is to provide some additional insight into why the nationalist movement in India consolidated itself under a conservative leadership.

Caste elitism, it is argued, was a major barrier to the spread of the Maharashtrian communist movement. Receptivity to a radical ideology existed among both urban and rural masses, but an anti-communist and conservative section of the non-Brahman elite was also there, ready to take advantage of any failure of the communists. These failures, along with the effectiveness of British repression, were decisive.

I

Introduction

IN the late 1920s a radical working class movement arose in Bombay which brought together, in curious fashion, an emerging Communist leadership with the leaders of the largely peasant-based non-Brahman movement. The ambiguities and outcome of these contacts and conflicts were decisive not only for the development of social radicalism but also for the direction of the nationalist movement in Maharashtra. This paper, therefore, will focus on the Bombay working class, but the larger issue we shall be concerned with is the relationship of the "cultural revolutionary" non-Brahman movement with nationalism and Communism, and the purpose is to provide some additional insight into the reasons the nationalist movement in India consolidated itself under conservative leadership as compared with the radical consolidation of the Chinese revolutionary movement.¹

It is important to begin with some analytical background. We can speak of three types of social movement in the colonial context: a national movement which arises as a *political revolution* directed against the alien colonial elite, and a social movement directed against the domination of the native upper classes which itself takes two forms, a movement of *cultural revolution* focusing primarily on the elite defined in "traditional" terms as a caste elite, and a movement of *economic revolution* focusing primarily on the elite defined in "modern" terms as an emerging bourgeoisie. The political revolution finds its first social basis among the native upper classes; the cultural revolu-

tion finds its base in the countryside in the antagonism of peasants to landlord power; and the economic revolution emerges with a base among the urban working classes. In terms of Marxist theory, we might describe these movements as directed against colonialism, feudalism, and capitalism.

A truly effective nationalist movement has to appeal to social revolutionary impulses in order to mobilise masses of the population; it is for this reason that Marxists have argued that a strong national movement must be led by the working class (rather, a worker-based Communist party) since the vacillating "national bourgeoisie" will compromise with imperialism out of fear of social revolution from below. Conversely, as western scholars continually point out, an effective social revolution in colonised societies has to represent the impulses of nationalism to consolidate its power. We may say that the strength of a colonised society's revolutionary forces depends upon the unification of the impulses of political, economic and cultural radicalism. However, the colonial context of a society such as India tends to separate these. Because the national movement is led at first by native elites, it cannot attain a mass basis and antagonises the leaders of the social movement. At the same time, within the social movement, cultural and economic revolutionary forces develop also in separation and sometimes conflict: a cultural revolutionary movement draws leadership from among the economic elites of a culturally disadvantaged group, and these leaders tend to underplay the economic aspects of opposition to the native elite. Con-

currently, the economically revolutionary (communist or socialist) movements draw their leadership first from native intellectuals who as caste elites are liable to downplay the role of caste and culture. Thus in spite of many pressures from below for unification of these movements, they tend to develop in opposition.

The first expression of social revolution in Maharashtra was the non-Brahman movement, which gained organised form with Jotirao Phule's Satyashodhak Samaj ("Truthseekers Society"), organised in 1873 as a cultural revolutionary movement directed against the traditional caste system and the religious and social domination of Brahmans. By the 1920s it had attained a strong base among the peasant masses in many districts of Western Maharashtra and Vidarbha, and was beginning to take on strong economic overtones. Increasingly it defined itself as the movement of the *bahujan samaj* ("masses" or "majority community") whose primary enemies were not only *bhatjis* or Brahmans, but also *shetjis*, the merchants and moneylenders who were frequently *de facto* or actual landlords as well: in fact the 1920s saw two important tenant-poor peasant agitations under Satyashodhak leadership. Again, up until 1920 the movement had firmly opposed the national movement which was overwhelmingly dominated, especially in Maharashtra, by the Brahman elite. By the early 1920s, however, many non-Brahmans were feeling nationalist impulses, and in the middle of the decade the leadership of the movement passed to a group of young radicals who mounted an increasingly

REVIEW

No Fool's Game

D N

Challenge and Response: A Study of Famines in India by K D Gangrade and Siddharaj Dhadda, Delhi; Rachana Publications (1973); pp viii + 124; Rs 25.

IF the *Sarvodayas* could have their way, their leader Jayaprakash Narayan would transform India. It would only require a change in the 'consciousness' of the people. Knotty problems like the landlord-moneylender domination of the Indian countryside simply cease to exist. This naive faith has led to the writing of this book.

In the Bihar famine of 1966-67, the Sarvodaya doctrine was tried out on a large scale in famine relief work organised by the Bihar Relief Committee, of which Jayaprakash Narayan was President. This book, written by a teacher of the Delhi School of Social Work and a Sarvodaya leader, purports to be "A Study of Famines in India". The main point of the book, however, is its unabashed adoration of Jayaprakash Narayan. To make it seem respectable the adoration is mixed with pseudo-scientific chapters on social work, famines in India, and 50 pages on the organisational structure of the Bihar Relief Committee.

OUTMODERN CONCEPTS

A society in crisis requires some special arrangements. The kind of arrangements that are made would, however, vary from one social system to another. The authors lament that the concept of *dan*, which sees giving as a religious duty, is fading away. They find that the community spirit has broken down and that people have a negative attitude. The authors don't realise that such concepts are appropriate in a feudal economy, with a patriarchal relation between the feudal lord and his serfs whom

he must help through bad times and keep alive. With the development of a free labour force (free in the sense of not being attached to any particular employer) maintenance of the class of workers ceased to be the responsibility of the employers individually. In times of need, the State undertook to look after the survival of the workers. Thus, we had the varied legislation on 'social welfare'. At the same time, voluntary agencies also began to appear and play an important role in mitigating some of the most harmful effects of the system. Social work soon became a very organised activity and acquired some manner of theoretical backing in the writings of bourgeois sociologists (such as Pitirim Sorokin, to whom the authors frequently refer). The authors discuss three phases in the development of social work, refer many times to socio-economic conditions, and even say that "social work now envisages dealing with the total situation in all its dimensions" (p 10). But the book shows a complete innocence with regard to the basic social forces.

This innocence is seen particularly in their analysis of famine. While recognising that famines are primarily the result of the socio-economic order, and that "natural causes only provide the immediate starter" (p 26), the authors are unable to identify the main aspects of the socio-economic system. They do at one place point to the concentration of land in the hands of a few landlords and moneylenders (p 35), but at no other place does this re-appear. That famine is essentially due to peasant

severe attack on Brahmins but at the same time defined themselves as nationalists: they argued that the basic conflict was between the Indian masses and their British rulers, but that the Brahmin leaders of the national movement only betrayed the nationalist cause through their elitism and continuing attachment to caste orthodoxy which served to divide the Indian people.

The issue at this point was not so much whether the non-Brahmin peasant masses in Maharashtra would join the national movement, but whether they would do so in a way that allowed them decisive influence over the emerging nationalism or whether they would be simply co-opted by the upper class and upper-caste elite that continued to control the Congress party. The leaders of the young non-Brahmin radicals, Keshavrao Jedhe and Dinkarrao Javalkar, had by 1926 obtained a statewide reputation. After 1927 Jedhe began to be increasingly attracted by the National Congress as its Gandhian leadership appeared to offer a social reformist alternative that promised to undermine the old dominance of Maharashtra orthodox Brahmins. Here a crucial role was played by such local "Gandhians" as N V. Gadgil, who was able to speak in the language of and in terms of the needs of the *bahujan samaj* or non-Brahmin community, and it was in fact Jedhe's alliance with Gadgil which was given primary credit for leading non-Brahmins into the Congress in the 1930 civil disobedience movement and after.

As this alliance was forming, however Dinkarrao Javalkar was coming into contact with emerging radicalism among the Bombay cotton mill workers and with the Communist leadership which offered an alternative direction for the Indian revolutionary movement. Javalkar emerged from his experience as a Marxist who aimed at leading the non-Brahmin movement in a different and more radical direction from that represented by Jedhe, and before his early death in 1932 had made beginnings of such organisation. The existence of this more radical impulse among influential non-Brahmins and the correlated possibility of gaining a peasant basis for the Communist movement is important. Even more so was its failure and the subsequent incorporation of non-Brahmins into a Congress party which continued to be controlled at the top by a caste elite and the Indian bourgeoisie. It is this possibility and failure that will be examined here in the context of Bombay working class movements.

II

Social Organisation in Bombay City

Bombay city, the urban-industrial centre of Bombay presidency, was a typical cosmopolitan colonial port city. It was not a political centre for Marathi or Gujarati speakers in the same way that Calcutta was unambiguously a Bengali city and Madras a Tamil centre.⁸ Because of its particular social structure, "non-Brahmanism" did not exist there as a movement in the way it did in the Marathi-speaking rural districts. However, upperclass non-Brahmin politics did exist, and partly reflected the connections that non-Brahmins of all classes maintained with the rural areas. Similarly, the large majority of the lower and working classes were Maharashtrians, most drawn from the rural districts of the Konkan where as tenant peasants they came into conflict with largely Brahmin (but also high-caste Marathi) *khot* landlords. Thus the working class organisation that developed did so at least partly in the context of the non-Brahmin movement, and this was to have important consequences.

Within the Bombay presidency, the city overwhelmingly dominated what industrialism existed: by 1931 it contained 381 out of 794 factories employing more than ten persons, as compared to 162 for the other Marathi-speaking districts.⁹ The cotton textile industry, which dated its beginnings from the late 1850s, was again heavily dominant within the presidency and the city itself. By 1931, out of a total of 563,787 earners and working dependents in Bombay, 176,433 were employed in "industrial" categories and of these, 114,960 were in cotton textile factories of various types.⁴ It was these workers who were predominantly Maharashtrians, mainly immigrants from the Konkan districts, secondarily from the Deccan plateau; a few came from the United Provinces, almost none from the Gujarati districts.

While it was the second largest

Indian city of the colonial period, Bombay was probably the premier Indian industrial city. Unlike Calcutta, whose trade and industry was for a long time overwhelmingly dominated by Europeans partly by reason of general government patronage, Bombay Indians had played a much greater role as businessmen, collaborating with Europeans "on a basis of something like equality".⁶ These businessmen, including the mill owners and managers, were overwhelmingly Gujarati-speakers, including Parsis, Gujarati *vanis* (merchant castes) and Muslim business minority communities such as the Bohras, Khojas and Memons.⁷

In contrast, the educated and professional classes of Bombay city had from early days been dominated by Marathi-speakers, but these had found it difficult to establish their leadership *vis-a-vis* the business communities.⁸ And Brahmin dominance among them was not nearly so absolute as in the rest of Maharashtra. For example, while Poona delegates at the first session of the Indian National Congress in 1883 had all been Brahmins, the Bombay delegates included seven Parsis, five Brahmins, three Banias, two Muslims and one CKP.⁹ One result of this was that caste orthodoxy was less strong; Brahmin moderates like Gokhale could find a greater basis in the more cosmopolitan centre of Bombay, and Bombay and Poona presented markedly different political styles.

Finally, Muslims existed in greater proportion in Bombay as compared to the rest of Maharashtra, with the result that Hindu-Muslim tensions had a greater impact on the life of the city: they were 18 per cent as compared to 68 per cent in Bombay in 1931, contrasted with 8 per cent and 90 per cent in the Deccan districts at that time.¹⁰

For these reasons, the non-Brahmin question did not arise in Bombay city with the same intensity it did in the rest of Maharashtra. Although as an

TABLE 1: PLACE OF ORIGIN OF MILL WORKERS⁵

District of Origin	Per Cent of Total Mill Hands		
	1911	1921	1931
Ratnagiri	49.16	35.53	25.37
Satara	7.27	6.63	5.15
Kolaba	6.22	4.47	3.04
Poona	5.65	6.18	5.72
Kolhapur	3.07	1.85	0.51
Total of above	72.83	57.65	41.80
Born in Bombay city	10.92	18.87	26.33
United Provinces	3.05	9.42	11.82

urban centre Bombay produced one of the earliest Satyashodhak branches and the newspaper of the organisation, *Din Bandhu*, the movement itself was weak there. Broad-based non-Brahmin social reform found an expression instead in the more religiously moderate Maratha Aikyeccu Sabha which was active from the 1890s through 1910. The term "Maratha" in its title was interpreted not in the caste sense, but to include all Marathi-speaking non-Brahmin castes except untouchables (though many of its leaders actively supported untouchable leaders), and its leaders included men such as Krishnarao Arjunrao Keluskar, the Maratha writer; Narayanrao Lokhande, the Mali Satyashodhak worker and labour leader, and S K Bole, the Bhandari political leader of the non-Brahmin Party. Indeed, Bole's career illustrates much of the particular nature of Bombay non-Brahmanism. Born in 1869, he took an early lead in caste reform activities, founding an organisation of his own subcaste in 1889 and becoming the first president of the Bhandari Education Conference in 1913. He took a leading role in organising tenant agitation against *khot* landlords in the Konkan, was the most important non-Brahmin leader of working class welfare organisations after 1900, and became one of the leaders of the non-Brahmin party in the Legislative Council in the 1920s. But he was never a member of the Satyashodhak Samaj, and later joined the Hindu Mahasabha, one of the very few non-Brahmin leaders to go in that direction.¹¹

It would be useful to examine more closely the class and caste relationship of non-Brahmins in Bombay. With no representation among the highlevel business community and very little among the intelligentsia and professional classes, the non-Brahmin section nevertheless did include some well-to-do men; mostly merchants and contractors. (Typical of this perhaps was the fact that Telugu Malis and associated groups of contractors had provided most of the early support for Phule in Bombay city.) In spite of the efforts of such organisations as the Maratha Aikyeccu Sabha, it seems that caste remained a significant factor of social intercourse, splitting the non-Brahmin groups.¹² Even among Marathas, distinctions between aristocrats and "kumbhis" as well as distinction between Marathas from the Konkan and Marathas from the Deccan, continued to be important well into the 1920s. Thus the earliest Maratha caste organisations

represented separately the "Deshastha" and "Konkanastha" Marathas; these had managed to unite in 1912 in the "Ksatriya Maratha Dnyatisamaj", but this remained an organisation dominated by aristocrats, with its office in the wealthy area of Girgaum and with activities including preparation of lists and biographies of "Ksatriya Marathas".¹³ In contrast, a "Maratha Samaj" founded in 1891 included reformist leaders like R S Asavale, Bapurao Avte, Laxmanrao Thosar and Vasudevrao Birze; this organisation considered *Din Bandu* and *Barodavatsal* as affiliated newspapers and aimed at unity, education and social reform but evidently did not survive for long.¹⁴ Instead, localised organisations, including organisations of Marathas from one district, continued to predominate.

For less aristocratic Marathas, the centre of much activity was Crawford Market and Koliwada Hall in nearby Mandvi was said to be the "headquarters for all Marathas".¹⁵ It was here that Phule had been honoured in 1888,¹⁶ and it was the site for numerous community meetings including one in 1930 attended by Jedhe and Gadgil with the aim of bringing the Maratha community into Congress. The Maratha merchant community of this area was not an educated one, but did have extensive connections. Many of its leading men had come to Bombay seeking their fortunes from the villages, and they maintained their connections with the rural areas. They took part in welfare associations, some oriented to caste activities,¹⁷ some to labour welfare activities, some to education and social reform; through these they maintained relationships with and influence over the wider group of lower-class Bombay non-Brahmins. Among these merchants were men such as Mansingrao Jagtap, a grass merchant from Satara who was loosely involved in politics both in his home taluka of Wai and in Bombay and patronised wrestling, tamashas and a wide number of social organisations; or Dhondji Patil-Bhosle who had come to Bombay from Satara as a labourer making boxes and then organised his own business and was also a philanthropist, a patron of wrestling and an important funder of the Rayat Shikshan Sanstha of Satara.¹⁸

Perhaps the most important of such businessmen-politicians and a crucial behind-the-scenes patron of Bombay non-Brahmanism was Govindrao "Bhau-saheb" Shinde. Born in 1879 in Nasik, he had come to Bombay with his widowed mother in 1890, opened a small shop in 1902 and eventually

established an ayurvedic medicine shop at Delisle Road which became one of the most important purveyors of medicine for workers in that area. His home at Delisle Road became a centre for non-Brahmin activities in Bombay that was said to be an equivalent of the "Jedhe mansion" in Poona; indeed the 1927 special meeting of the Non-Brahmin Party which was called to decide whether non-Brahmins should enter Congress, was held in his compound. He too was involved in caste activities (he founded in 1916 a Maratha Vidyarthi Sahayyakari Mandal to provide scholarship help to students) and in labour organisations such as the Social Service League of N M Joshi.¹⁹

Men such as Shinde and Jagtap — and through them the political non-Brahmin leaders of Bombay — maintained a connection with working class non-Brahmins through such welfare activities and through sponsorship of gymnasiums and wrestling societies which were important in working class social life. More significantly, perhaps, they evidently had close relationships with a number of the "jobbers" who were so crucial in the organisation of the Bombay labour force.²⁰

Jobbers overwhelmingly dominated the social organisation of the mill areas at this time and were a crucial linking group in relationships of the workers. They were responsible for the recruitment and management of labour, and their influence extended from the villages where they recruited to the mills and the working class tenements as well. The "jobber's gang" was in fact a social unit that often followed him from one mill to another. Jobbers made contacts for labourers to borrow money and frequently loaned it themselves. All this gave them tremendous social power and an income derived in large part from taking a cut of the income of the workers known as *dasturi* (fee, bribe, commission). Their caste composition was almost exactly equivalent to that of the workers and occasionally they themselves had risen from the ranks.²¹ They have been described as a city equivalent of the village patil (headman), and although their position was not hereditary, this is probably apt, for they represented a conservative, patron-client form of social organisation.

Bombay non-Brahmin society, then, though heavily stratified by class and caste, was in many ways a fluid one, and these relationships that linked workers, jobbers, businessmen, and political leaders formed the social basis for the early labour organisations of Bom-

bay. They help to make understandable a part of Bombay labour history — but not all of it. For, as Morris David Morris has noted,

the Bombay industry has a long and bitter tradition of industrial conflict. There have been more labour disputes in the Bombay cotton textile industry and they have been of greater intensity than in any other place or industry in the country. The trade unions which have emerged have had a complicated, tumultuous and unstable career.²¹

The main characteristics of this instability have been incredible tenacity in strikes coupled with the continued potential of becoming a revolutionary political force on the one hand, and on the other an inability to maintain a strong and militant union.²² Organisationally, radical (Communist or socialist) unions have upto the present been successful in calling masses of workers out on strike while in normal times reformist unions, supported by the government, have succeeded in maintaining their positions as representative unions. Two types of unionism, then, have existed among the Bombay mill workers, one based to a large degree upon the social structure outlined above, the other upon spontaneous worker radicalism (itself in part connected with non-Brahman anti-elitist themes) and militant leadership. It is the relationship between these that will be discussed in the following two sections.

III

Early Non-Brahman Labour Organisations

To a very considerable extent, early labour welfare organisation grew out of non-Brahman activity. It is a Satyashodhak leader, Narayan Meghaji Lokhande, who is credited with being India's first labour leader.²³ Born in 1848 in a Mali family of Thana, he had been educated upto high school and began life in Bombay under the patronage of a Khoja merchant and eventually became a head clerk in a cotton mill. Though little in detail is known about his early life, Satyashodhak sources tend to stress that "unlike the *panderpesha* lawyers, barristers and solicitors who lead today's unions", Lokhande had been a "worker" himself and had lived in the tenements of Parel and Byculla.²⁴ Though this was an exaggeration since he was a clerk and not a manual labourer, there is little doubt that he was closer socially to the workers than upper-caste leaders such as N M Joshi. He learned of the Satyashodhak movement early enough

to become a member in its second year in 1874, and began activities on its behalf in Bombay. In 1880 he was given the editorship of its paper *Din Bandhu*, which began to call itself the "Journal in the Interests of the Working Classes", and with this opportunity he left his service for social work and founded the Millhands Association.

Lokhande differed little in style from other early upper-class labour leaders in that his role was primarily in representing the workers' grievances before the British and in attempting to ameliorate conditions that caused unrest rather than in organising the workers to press their demands directly. However in 1884 he was responsible for organising meetings of textile workers out of which 5,000 signed a petition of demands to the Factories Commission,²⁵ and the Millhands Association did have an organisational basis among jobbers.²⁶ The Association itself was weak and shortlived, but it evidently remained as a tradition among the workers; during the 1920 general strike an organisation under that name appeared and distributed a leaflet of demands.²⁷

The Association's work was continued partly by the Maratha Aikyecchu Sabha, which involved Lokhande in its leadership and which represented workers' grievances by taking part in the agitation for a twelve-hour day in 1905.²⁸ However, it was the Kamgar Hitawardhak Sabha, founded by S K Bole and others in 1909, which became the most prominent of the workers' welfare associations and lasted until developing radicalism among workers in the mid-1920s cut away its strength. The KHS defined its aims as aiding workers in times of difficulty, sponsoring lectures and handbills on useful subjects, opening schools for workers' children, and helping workers to "settle" struggles with factory owners.²⁹ By the 1920s it did indeed have three night schools and evening classes and sponsored sporting competitions and gymnasiums.³⁰ It represented workers' grievances during the 1918-19 textile workers' strike, and in 1919 it organised "the first conference of Bombay workmen" which supported a nine-hour day, urged medical care and workmen's compensation — and warned workers against falling victim to outside agitators.³¹ It also formed part of the deputation to the governor and Montague in 1917 which demanded communal representation for non-Brahmans.

The KHS organisation was based primarily on jobbers, and it developed the strongest organisation for its time,

with 200-300 members who were said to have influence over approximately 10,000 workers due to their role as jobbers in the early 1920s. Its centres were in Parel, Chinchpokli and Delisle Road, the central Bombay working class areas. It would appear that its upperclass lines of support were primarily non-Marathas, such as Bole and Manuji Rajaji Kalewar, a wealthy contractor whose meeting hall, "Manaji's wada", became its centre; at the lower organisation level however there is no evidence of caste differentiation.³²

The Social Service League, founded in 1909, was in seeming contrast to the KHS since it involved fulltime social workers but no jobbers in any obvious role.³³ Its most prominent leader was N M Joshi, the moderate Brahman labour leader of Bombay, who was appointed to many conferences as a labour representative and whose testimonials before enquiry committees were invariably the most thoroughly researched and effective. This gave the League less of a "backward class" character; yet it involved such persons as Govindrao Shinde,³⁴ and it is likely that through him and the group of jobbers he was connected with it had many of the same linkages as the KHS.

This was a particular style of labour organisation. Organisationally these associations brought together educated social workers, non-Brahman politicians and businessmen and jobbers and based themselves on the traditional social organisation of the mill areas. Ideologically they were conservative and reformist, seeking to represent the workers' grievances to the owners and the government, but consistently opposing strikes. It appears that this style was the basic model for the Bombay Textile Labour Union which arose in 1925 and grew to become the main competitor with the militant, communist-led Girni Kamgar Union in the last half of the decade. The BTLU brought together the main upper class labour-oriented politicians of Bombay — Bole, Joshi, Asavale, Jhabwala, Ginwala — and had an effective centralised bureaucracy. Newman contrasts it with the Girni Kamgar Mahamandal (the initial basis for the GKM; see below), arguing that it had only qualified jobber support and was not able to build on jobbers' gangs.³⁵ Yet it did apparently have jobber support through the more informal connections of the non-Brahman leaders (see also note 20). Rather, the difference was that the BTLU represented essentially the evolution of the traditional labour organisation into a

formalised union, whereas the GKM and the GKM built on something new: a developing wave of worker militancy that grew in opposition to such traditional authority of jobbers and educated "outsider" labour leaders.

IV

New Labour Movement: Communists and Non-Brahmans

The 1920s in fact produced radical new developments. Three phases of discontent — period of rising prices in 1918-20, a period of wage cuts from 1922-25, and a period of standardisation from 1927-29 — produced each two general strikes and an increasingly effective trade union.³⁶ Behind these were two coalescing trends of radicalisation. Both were militant in expressing some form of class struggle ideology as contrasted to the earlier mediationist approach; both were modern in representing a new form of worker's organisation fundamentally opposed to traditional jobber control. One was a movement for "workers' control" that developed in opposition to all forms of outside, upper-class, non-worker leadership: this was expressed in the Girni Kamgar Mahamandal and later in the GKM mill committees of 1928-30. The other was the Communist movement. Though seemingly opposed — the Communists, largely Brahmins, were in a sense "outsiders" of an extreme type — they nevertheless came together in the formation of the most impressive labour union in India of the time, the Girni Kamgar Union, known to the workers as the *Lal Batta* or "Red Flag" Union.³⁷

The Girni Kamgar Mahamandal came to the fore as a millworker's organisation during the 1923 strike. At this time it claimed a membership of 900 in 17 mills, but grew to a strength of 3,500-4,000 in 1926 and 1927.³⁸

Two non-manual workers were initially involved as leaders: Mayekar, a Bhandari clerk and storekeeper who had organised a rather nominal Girni Kamgar Sangh in 1919, and D A Bhatavdekar, a Brahman jobber. Most of its other members were actual labourers and mainly Marathas and allied castes. As it grew, the GKM encroached directly on the areas of strength of the KHS, with three clusters as its nucleus, one of which was at Delisle Road; as a result, the KHS disintegrated. This growth involved three correlated trends. The first was a movement towards a more aggressive and militant policy, particularly after

1926 and associated with relationships with emerging Communist leaders. The second was the inheritance of the anti-elitist attitudes of the non-Brahman movement; as Newman puts it, as the GKM took over the social basis of the KHS, "a section of the anti-Brahman movement was transplanted into the new union". And third, Mayekar and Bhatavdekar were excluded as they began to quarrel with more militant leaders, and their ouster "was accompanied by the rise of the ordinary millhands to positions of real responsibility in the union".³⁹

Most important of these militant worker leaders were A A Alve, a Vani, and G R Kasle, a Maratha fitter.⁴⁰ Both had been originally tenant farmers in the Konkan, and though driven by poverty to seek early work in the mills maintained their relations with the villages; Alve himself had made efforts to organise against the landlords. Both had come up from the ranks as workers but had previous political experience. Kasle had attended the first AITUC "on a delegates' ticket given him by a lawyer who was trying to promote himself as the leader of a labour organisation"⁴¹ and Alve had taken part in Congress campaigns during the non-cooperation movement but had become disillusioned. Because of their peasant as well as worker background, and probably because of experience of Brahman social exclusiveness,⁴² it was not unnatural for such men to see moneylender-landlord power, capitalist oppression, Brahman caste dominance and an elite-led Congress party as all of one piece.

This, for example, was reflected in Alve's criticisms of the Congress leadership, criticisms which reflected a more class-conscious version of the general non-Brahman opposition. Workers, he explained, had understood *swaraj* to mean that there would be a halt to moneylending, cheaper land, higher wages, and an end to capitalist oppression. But they had found Congress to be only a negotiating body making demands for factory owners, landlords and the educated intelligentsia: "It therefore became evident to me what Swaraj was and what would be the condition of us workers and peasants when it would come into the hands of such rich men."⁴³ Ideological themes underlying the GKM were those of workers' control: Its trend was to exclude middle-class patronage, to be an organisation purely of the working class. But it is important to note that its antagonism to educated elite outsiders was

directed not only against Brahmins, but also against upper class non-Brahmans. Not only did Alve express hostility to the "autocratic obstinacy" of N M Joshi,⁴⁴ he also opposed the KHS for similar reasons. As he described the 1923 strike negotiations,

Messrs Bole, Talcherkar and others of workers' institutions like the "Hitawardhak" put together something and placed it before the committee and these sensible and humanitarian persons represented as false the side of the workers placed by me before the committee, got it proclaimed through the English newspapers that they were the real leaders of the workers, that I knew nothing about the workers' condition and such other things. The committee also accepted as true their side, regarding them as sensible outsiders.⁴⁵

However, the militant workers did need to deal with outsiders and sometimes through outsiders, for all the reasons generally cited in studies of non-western unions: the importance of the economic regulations of a powerful government, the necessity of literacy (and literacy in a foreign language) in dealing with the millowners and government.⁴⁶ Thus GKM leaders maintained relationships with non-Brahman politicians such as A N Surve and R S Asavale. But it was not such leaders but rather the largely Brahman Communists of Bombay city who were to become the allies of the militant workers in the tumultuous events of the late 1920s, and it was men like Alve and Kasle who took the lead in bringing them in. Alve and others had early approached the Communists for help, particularly Joglekar, whom Alve had evidently known in Congress activity. From the time of the May Day rally in 1926, the Communists began to be leading speakers, and Mayekar's newspaper *Kamkari* began to be explicitly anti-capitalist and described communism as the goal of the workers. The GKM became the Communists' main channel to working class support, and when it was transformed into the GKM in 1928, it was Alve who played the crucial role of convincing reluctant workers to allow Communist "outsider" participation on the union official body.⁴⁷ By 1929 Alve was referring to himself as a Communist.⁴⁸

How was it that the Communists inherited the workers' militancy? If anything, the Communists' own class background and social-cultural outlook were barriers to the development of such relationships. Communism in Bombay city had emerged out of a radical faction of leftwing nationalists in the city Con-

gress Committee; they were men of similar high caste and middle or lower-middle class background whose political heroes were extremist Brahmans such as Tilak, Joglekar and Mirazkar were, it seems, the only two with some previous working class or union involvement.⁴⁹ The leader of the group was S A Dange, a Brahman whose 1920 pamphlet, "Gandhi and Lenin", had marked the beginnings of Marxist literature in India and had attracted the attention of M N Roy from abroad. With the patronage of a left-leaning flour mill owner he was able to build up a Marxist library and study groups that contributed to the growing influence of Marxism on the young Indian intellectuals. It appears it was the influence of scattered Comintern delegates who directed the attention of such left nationalist intellectuals to working class organisation.⁵⁰ Newman describes them as still "primarily a faction of frustrated Congressmen" in 1925 and N M Joshi argued in 1926 that they were "not real communists" (i.e., not leaders of the working class) but "nationalist before everything else".⁵¹

It is important to remember, then, the genuine lack of a functioning Communist party organisation during the 1920s, due to a very large degree to effective British repression⁵² which left Indian communists with very little chance to operate in comparison with, for instance, the Chinese or Indonesian parties. The willingness of these emerging Communist intellectuals to engage in militant working class organisation and to associate on a day-to-day level with the workers was no doubt important.⁵³ But the crucial factor in the attraction of Communism for militant workers was undoubtedly its ideology. Here the subtleties of "right" versus "left" trends within Comintern analysis were of little importance compared to the simple themes that filtered down to the workers. These were two. The first of course was the stress on the leading role of the working class and the eventual goal of socialism, whether conceived of in terms of a "proletarian dictatorship" or "the democratic dictatorship of the proletariat and peasantry". The concept of a "Workers' Raj", which was much discussed in the Meerut testimony, legitimised the already developing themes of workers' control as well as non-Brahman themes emphasising the role of the "masses". Second, the Marxist-Leninist attitude toward Third World national liberation movements, which stressed the validity of nationalism while condemning bourgeois national

leadership, corresponded almost perfectly with general militant non-Brahman attitudes. Thus the attraction of Communism was not simply a matter of efficient and dedicated support of working class "economic" demands but rather the matter of an ideology that fitted with the developing ideological radicalism of militant workers, a radicalism which itself transcended economism.

In this context sporadic but threatening Communist organising began. While M N Roy, the brilliant and sometimes arrogant Bengali, vied with representatives of the Communist Party of Great Britain for leadership over the Indian party, their policies and application of Bolshevik strategy seemed to have differed little. Communists were urged both to work with and form trade unions, and also to build up a nationalist, mass-based left wing organisation. M N Roy had early phrased this as a "peoples' party"; it later took the form of a Workers' and Peasants' Party which was conceived of as autonomous but operating as a "two-class pressure group" within the National Congress, a vehicle for both nationalism and labour organising.⁵⁴ Basing this on a Workers and Peasants Party already formed in Bengal, and gaining support for a Bombay Party among mill workers as a result of their union work (Alve, Kase and Desai, all GKM people, became WPP members), the Communists began to have impressive success.

With the GKM and its communist allies moving in an increasingly radical direction, isolated protests against rationalisation and wage reductions in 1928 coalesced into a six-month long general strike, the largest in India at the time: out of this arose the GKU. "The strike was not our creation, but we were the creation of the strike," said Dange.⁵⁵ Mayekar, expelled from the GKM, had registered a rump union under this name, and thus the workers of the old GKM joined with the Communists in a new union registered as the Gini Kamgar Union (the Red Flag or Lal Bacta Union), which now allowed outsiders (the Communists) to join with working class leaders in the central body. The relative success of the strike was followed by the tremendous expansion of the union to the numbers of 50,000-100,000 mentioned above (see footnote 37).

What is important here is the form which this expansion took. It was not simply that of affiliation of workers to a central body controlled by militant

workers and communist intellectuals: rather it was the expansion of the "workers' control" movement now taking the shape of mill committees (*gini samitiya*). The committees were made up of about 30-40 members elected as representatives from each department in the mills; by April 1929 there were 42 of such committees on record. The committees were informally organised, met on their own, and often did not keep in correspondence with the central union leadership; they had a distinct tendency to claim union authority for themselves or to "usurp it".⁵⁶ They took control of enrolment and subscriptions, watched petty officials, formulated grievances and bargained before the union central leaders came in; on occasion they initiated strikes. In fact they considered themselves the union, and their opponents began to see themselves as such. As H P Mody, chairman of the Millowners' Association, wrote, "the mill committees are in their own way the Union. There is no control over them on the part of the GKU".⁵⁷ Almost more than the communists themselves, it was the committees that frightened the establishment:

The mill committees did more than anything else to upset the established order in the mills. They caused unprecedented anxiety among the millowners, and overexcited the imagination of the government, the law, and many journalists and historians.⁵⁸

The most interesting aspect of this overturning of the established order was that in committees developed in opposition to the jobbers, the traditional focus of authority among the workers. Though some jobbers had initially assisted mill organising, conflicts quickly developed and the old discipline collapsed; jobbers were attacked and often beaten, their power coming to an end.

The Bombay mill committees thus represented a distinctly modern form of worker organisation, and have to be seen as a parallel to similar "factory councils" that have developed with almost equivalent spontaneity under revolutionary conditions throughout the world. During the Russian revolution, for example, the Bolsheviks actually gained much of their power base among the working class by supporting a similar factory-council based "workers' control" movement which was fighting a Menshevik-controlled trade union bureaucracy.⁵⁹ Although the Bolsheviks subsequently under the pressure of a revolutionary war substituted a nationalised bureaucracy for workers' collective management in the factories and over-

rode the independent power of the factory councils,⁶⁰ support of such committees or councils remained an important theme of Communist union organising. Similarly in Italy, while the right-wing Socialists controlled the union bureaucracy, the left wingers (especially the group in Turin under the leadership of Antonio Gramsci) who were later to become the nucleus of the Italian Communist Party, based themselves upon a similar factory council movement. In fact, it was Gramsci who became the primary Marxist theorist of such bodies. He argued that the factory councils, unions and the (Leninist) party were the three crucial working class institutions: of these the union as a form born of struggle within capitalist society tended to be limited consistently by capitalist legalities and to fall prey to bureaucratisation, while the councils in contrast were both incipient organs of a potential socialist state and a revolutionary force that constantly tended to override the limits of such legality: the party must base itself upon factory councils but continually insure that these were not treated mechanistically but remained democratic organs representing all tendencies within the working class.

We say the present period is revolutionary precisely because we can see that the working class, in all countries, is tending to generate from within itself, with the utmost vital energy... proletarian institutions of a new type: representative in basis and industrial in arena. We say that the present period is revolutionary because the working class tends with all its energy and all its will-power to found its own State. That is why we claim that the birth of the workers' Factory Councils represents a major historical event — the beginning of a new era in the history of humanity... The party and the trade union should not impose themselves as tutors or ready-made superstructures for the new institutions... They should become the conscious agents of its liberation from the restrictive forces concentrated in the bourgeois state.⁶¹

While the realisation of the actual historical importance of such forms as the mill committees was behind the Comintern stress on them as a form of union organisation, it is perhaps doubtful whether all Communists shared Gramsci's enthusiasm for them; it is certain that the Bombay Communists did not. Newman reveals a definite ambiguity in their attitude:

The mill committees were the most controversial part of the union's organisation... The Communists, in their recollections about the union's growth, emphasise the fact that the mill committees were a practical necessity.⁶²

In fact, the intellectual Communist leadership showed a clear distrust of the workers:

They feared that the transfer of power to the millhands might be divisive if local and communal loyalties had not first been subsumed in a wider class consciousness.⁶³ Underlying this distrust was the fact that the Communists, who were not thinking in terms of immediate revolutionary organising in any case, were constituting themselves as the union's bureaucratic leadership in a context of negotiating with the millowners; they began to be the channels through which the owners had the only hope of controlling the millhands, and were ready to make and abide by agreements even at the risk of unpopularity and to look toward the creation of an orderly workforce. But it was this orientation which brought them into conflict with the committees at many points as they tried to dampen disputes and control the volatile local branches of the union.⁶⁴ As Newman puts it, "The employers therefore had to deal with two unions, the union of the militant workers and the union of the leaders."⁶⁵ This was an emerging split, and what was happening was that instead of securing a thorough and organic basis among the working class, the Communist intellectuals were becoming a bureaucratised leadership over the workers.

In this context, the militant workers' distrust of "outside leadership" was bound to be reactivated. And it was precisely at this point that members of the more conservative Bombay non-Brahman elite began to undertake a conscious effort to reactivate it, and to transform antagonism to "outsiders" into anti-Brahmanism and by implication anti-Communism. The primary movers here were Bhaskarrao Jadhav, the leader of the non-Brahman political party, and Govindrao Shinde. Jadhav had in 1924 suggested to British officials the formation of a labour union along communal lines to counteract Congress organising;⁶⁶ he showed no hesitancy in advocating the same tactics *vis-a-vis* the Communists. As he noted later in his diary,

I told how the Non-Brahman party had decided to save our men the labourers from the evil influence of the Communists who had captured the labour unions. We worked upon Alve and Kase. Kase came over to us. But we advised him not to give up his Vice Presidency of the GKU but to work there in gaining more adherents who will oppose the Communists and ultimately will expel them.⁶⁷

The non-Brahman leaders were said to be getting money for propaganda

purposes from H P Mody and the Millowners Association, while their newspaper *Kaivari* was also financed by contributions from the Crawford market area merchant community.⁶⁸ They worked through this paper as well as through their personal contacts with many workers and jobbers in the Delisle Road area centred on Shinde's home. They invoked the tradition of Lokhande, declaring him to be a true worker and implying that almost any non-Brahman, as a member of the *bahujan samaj*, could be considered a representative of the workers, as contrasted with middle class Brahman leadership. Kase was indeed won over, and the entire Delisle Road area, earlier a centre of strength for the GKM-GKU, developed into an area of opposition.⁶⁹

Kaivari carried a wide range of non-Brahman news, but emphasised its labour orientation with extensive feature articles week after week accusing the "Communist *bhats*" of betraying the workers.⁷⁰ Edited at this time by Dinkarrao Javalkar, whose role will be discussed below, its line illustrated both Javalkar's own version of non-Brahman radicalism at that time and the significant degree to which Communist ideology itself had caught hold of the working class. Militantly expressed support for the union itself was combined with strong, crude and often witty accusations of betrayal and caste elitism by the Communist Brahman leaders. Brahmans, it argued, could never be either true nationalist or workers' leaders: "if anyone can be a true Communist, it is a non-Brahman!"⁷¹ The basic theme was a return to themes of "Workers' control":

The Red Flag Union must endure; the Red Flag Union Fund must grow, but the Union should be in the hands of the workers and there should be no room for *bhatis*.

Thus direct anti-Communism was itself never a basis of appeal but was rather fostered on the base of the workers' distrust of outsiders. Even so, the Communists might have learned to overcome these difficulties had they been given time. But the Government, fearful of a powerfully developing Communist movement, arrested 31 Communists and union leaders in the famous Meerut case, including both Alve and Kase. As a result, what has been described as a "young and inexperienced" communist leadership moved in to fill their places in the union. The result was disaster. A second precipitous strike of the GKU resulted in the practical destruction of the union and Com-

munist influence within it;⁷³ it declined to not more than 800 members by December 1929, and the rump was for a time captured by the Royists who now represented a separate faction.⁷⁴ Along with this the mill committees faded away as jobber influence reasserted itself with their role in recruiting new and strikebreaking workers: the old patterns were reasserting themselves at the expense of both forms of militancy. And this loss of the CKU was paralleled by the Communists' self-isolation from the nationalist struggle of 1930 and similar reckless strikes and splits with resulting losses of almost all their union base.⁷⁵

Most studies of this period argue that the disaster was the result of Communists following Comintern directives of a period of "ultraleftism" which emphasised opposition to and isolation from bourgeois nationalism and trade union reformism.⁷⁶ But in first Comintern directives on these issues appear to me, at least, to be highly ambiguous. In regard to participation in the nationalist movement, the most authoritative international directive, the "Theses on the Revolutionary Movements in the Colonies and Semi-Colonies" was an ambiguous document resulting from a somewhat unresolved discussion in the Sixth Comintern Congress debate of 1928. It emphasised disillusionment with the national bourgeoisie (reflecting the Chinese Party's disastrous experience with the Kuomintang) and urged Communists to develop an independent and illegal party and to demarcate themselves from all "petty bourgeois groups". But at the same time it advocated participation in nationalist struggles and "temporary agreements" with nationalist organisations, and was viewed by the Indonesian party at least as giving too many concessions to nationalism.⁷⁷

In this the Indian bourgeoisie was not included among those who had joined the "camp of counter-revolution" but was said to be vacillating between imperialism and revolution. Only after this, in resolutions of the Tenth ECCI Plenum and in the "Draft Platform of Action of the Communist Party of India" of 1930 was a more ultraleft line expressed, of treating the national bourgeoisie as counter-revolutionary. Thus, in 1929, Indian workers and peasants were urged to carry out a revolutionary struggle led by the proletariat against British imperialism, Indian feudal rulers and Indian national capital; in 1931 "proletarian leadership in the revolutionary liberation movement of the masses" was again urged.⁷⁸ Clearly this

was an ambiguous policy combining strongly expressed opposition to Gandhi and the national bourgeoisie with the familiar theme of participation in a liberation movement. What is important to note is that when the Meerut prisoners who opposed the ultraleft tendencies of the Communist leaders outside requested further international arbitration, there was an early result in an "Open Letter to the Indian Communists" in June 1932 which criticised their isolation from the national movement.⁷⁹ In sum, it appears that international directives were often ambiguous and as much responsive to Indian appeals as controlling Indian actions.

We are led back then to a focus on the new communist leadership within India and general Indian conditions for responsibility for the "ultraleft" and isolationist policies of 1929-32. The most important of these new leaders in Bombay were B K Ranadive and S V Deshpande. Ranadive, a brilliant economist, a party theoretician and a longtime opponent of Dange, has consistently represented "left" trends within the party. Deshpande was also primarily an intellectual, effective in study groups and in bringing middle class youth into the movement, but too preoccupied with these and with general party duties to have many contacts with the workers.⁸⁰

Both the ultraleftism and the factionalism characteristic of Indian communism are held by many leftwing critics of the CPI leadership to be a result of the "petty-bourgeois" origin of the leaders. Criticism of Party attitudes towards mass organisation such as unions and peasant leagues emphasises that the leaders had a "mechanistic" attitude toward these bodies, were unwilling to work with different trends within the mass movements, and treated them instead as organisations capable of being directed at will by the leaders. Thus M N Roy argued that:

trade unions under its control are not mass organisations, because the programme of the Party is imposed on them. As a matter of fact the CP does not seem to know the difference between the political party of the proletariat and the trade union.⁸¹

This was well illustrated by the Communist leaders' attitude toward the mill committees. Survivals of old, Brahman-based ideas of the leading role of the intellectuals and an unconscious distrust of the masses could very well constitute an intellectual elitism leading to a mechanistic attitude toward mass organisations; this in turn resulted in the vacillation of Indian communism, rather than a steadier policy more responsive

to lower-class moods, as one or another faction with its ideas of how to direct the struggle gained control. In the contest of mass self-assertiveness characteristic of the period in Maharashtra, this was bound to give some credence to those who claimed that Communism was only Brahmanism in disguise. The mere fact that a new middle-class Communist leadership could see itself as moving immediately into control of the organisations that were beginning to be established suggests the pervasiveness and disruptiveness of this fundamental underlying attitude; many workers evidently resisted this control and this itself was productive of splits.⁸² Dange's own criticism of the Ranadive faction itself illustrates the tendency: "Into the hands of the young and inexperienced leaders that were left behind fell an organised working class, pots of money in the Trade Unions and boundless enthusiasm."⁸³

This was a period in which radical tendencies in rural areas were being co-opted by a seeming responsive Congress leadership symbolised by Gandhi and activated by men like N V Gadgil. Though the Communists had no rural basis to counteract this, they had established an urban basis in alliance with similar militancy among the workers, but this was thrown away. And upperclass non-Brahman and Congress leadership was ready to move in. When Jawaharlal Nehru visited Bombay in 1930 after serving as president of the AITUC in Nagpur, Govindrao Shinde presided over the mass workers' meeting that honoured him. Mansingrao Jagtap, who also spoke at the meeting, recalls it as having been a "non-Brahman, anti-Communist effort".⁸⁴ Shinde was also leader of a group of jobbers and associated intermediary elites who around this time began to conceive of a "nationalist mill workers union" that would be opposed both to the Communists and the loyalist activities of leaders like Asavale, Bole, etc.⁸⁵ And when such a union, the Rashtriya Mill Mazdur Sangh, was formed in 1946, it was able to build up its support among the workers on the basis of the Communists' second period of isolation from the nationalist movement after 1941.⁸⁶ The RMMS appears in fact to represent the reincarnation of the old, traditionalist based, reformist style of unionism represented by the BTU in the 1920s, but continues to maintain its hold upon the millworkers in the face, of the CKU's continuing inability to base itself upon the revolutionary mill committees.⁸⁷

Thus the emergence of a genuinely

radical trend among millworkers failed to gain any hegemony in the face of British repression, Communist elitism, and an effective, conservative, co-opting response by non-Brahman leaders. But the genuine possibilities that did exist for a consolidation of Communist strength not only among the working class but also to some degree in the rural areas are illustrated by the influence of the workers' movement on Dinkarrao Javalkar; it is to Javalkar's role that we now turn.

(To be concluded)

Notes

- 1 The role of colonial working classes in national and social revolutionary movements is perhaps one of the most important issues in the analysis of colonialism, yet there is a dearth of studies analysing their social organisation and activities. In regard to India in particular we have a plethora of workers dealing with elites, village social systems, caste associations and regional and national political arenas, but very little on the working class as such. There is, for instance, nothing of the quality of Jean Chesneaux' study of the Chinese workers although Indian workers in the 1920s played as important, if not as dramatic, a role. Works on trade union organisation and Communist party history have dealt mostly with the upperlevel and formal organisation of such groups, without delving into the social organisation of the workers who formed their membership and without making use of vernacular sources. (See for instance V B Karnik, "Indian Trade Unions: A Survey", Bombay: Labour Education Service, 1960; Gene D Overstreet and Marshall Windmiller, "Communism in India", Princeton University Press, 1971 and Harold Crouch, "Trade Unions and Politics in India", Bombay: Manaktalas, 1966.) Bombay cotton millworkers — one of the most important sections of the working class throughout the late nineteenth and twentieth centuries — have been more studied than most, but none of the studies, including a very useful recent work by Richard Newman, use Marathi source materials. (Morris David Morris, "The Emergence of an Industrial Labour Force in India", University of California Press, 1965; R K Newman, "Labour Organisation in the Bombay Cotton Mills, 1918-1929" (Ph D Dissertation, University of Sussex, 1970); Ravinder Strike, mar, "The Bombay Textile Strike, 1919" in *Indian Economic and Social History Review*, March 1971, pp 1-30. Yet such Marathi material does exist, and while it is rarely produced by members of the working class themselves, it provides important insights into the position of workers in the overall

social structure of Bombay city and reveals the degree to which the working class was intimately involved with the social movements of the period in Maharashtra. Non-Brahman sources, for example, include labour-oriented newspapers and pamphlets edited by intellectuals and biographies of lower level elites who formed important links with the working class; these reveal the degree of interaction between village and city, the involvement of the major non-Brahman leaders in the state with working class politics, and the radicalising influence of working class activity upon the direction of Indian politics. These sources, together with the studies cited above, will form the basis for this paper.

- 2 The major languages of Bombay, in thousands, were as follows:

Marathi	553
Gujarati	242
Konkani	41
Western Hindi	197
Sindhi	27
Total population	1,161

 (from 1931 Census, Volume VIII: Part II, page 360 ff.)
- 3 1931 Census, VIII: I, Statement no 23, p 261.
- 4 1931 Census, VIII: II, Imperial Table X. Reports of the Inspector of Factories gave slightly different figures: of 381 factories in Bombay city employing 167,024 workers, 77 were cotton spinning, weaving and related factories employing 124,963 workers (Volume VIII: I, pp 2578).
- 5 From Morris David Morris, *op cit* pp 63-65.
- 6 Amiya Kumar Bagchi, "Entrepreneurship in India, 1900-1931" in Edmund Leach and S Mukherjee, (ed), "Elites in South Asia" (Cambridge University Press, 1970), pp 244-6. As a source of this difference, Bagchi cites early participation of Indians in trade, the special relationship of the British and Parsis, and the longer political independence of the Maratha hinterland.
- 7 *Ibid*, pp 248-50. A few "Kunbis" are listed as owners or managers of cotton factories but these are likely to have been the Gujarati-speaking group now known as Patidars, a caste similar in status to Marathas but one that had much earlier gained a commercial foothold and business orientation.
- 8 For a description of their early conflicts, see Christine Dobbin, "Competing Elites in Bombay City Politics" in "Elites in South Asia", pp 79-94.
- 9 New India, pp 295.
- 10 Census of India 1931, Volume VIII, Part I: Table VI, pp 374-5.
- 11 Thomas Peters, "Who's Who in Western India" and "Rao Bahadur Jannashatabdi Gaurav Granth" (Bole Memorial Book) (Bombay, 1969); interviews. Underlying Bole's membership in the Mahasabha were anti-Muslim feelings (his father

had been killed in a Hindu-Muslim riot), tension with Marathas who were joining the Congress *en masse* in the same period, and an attraction to Savarkar's radicalism on caste issues which made the Bombay chapters of the Mahasabha somewhat more socially radical than those in the rest of Maharashtra.

- 12 One indication of this is that in the Bole memorial books and others cited here there is relatively little participation in testimonials across caste lines.
- 13 Report to the seventh session of the Maratha Education Conference, 1913.
- 14 Report to fifth session of the Maratha Education Conference, 1911.
- 15 Interview, K V Bandal.
- 16 Dhananjay Keer, "Mahatma Jotirao Phoolay", p 235.
- 17 For example the Crawford Market Maratha Samaj and the Mandvi Koliwada Maratha Samaj were listed as affiliated organisations of the Maratha Education Conference (reports of 1913 and 1914); a Maratha Co-operative bank near the market was also started by fruit dealers and merchants.
- 18 Vishvanath Wable, "Shri Mansingrao Keshavrao Jagtap: Alp Parichay" (Bombay, 1952); interview B N Nalavde.
- 19 B B Palekar, "Shri Govindrao Yashwantrao Shinde: Jivanvritant" (Bombay, 1955), pp 2-9, 17-19.
- 20 "Jagtap Alp-Parichay", p 14; "Shinde Jivanvritant", p 107. Morris, *op cit*, pp 129-36; Newman, "Labour Organisation..." pp 34-38. According to Newman, 59.9 per cent of jobbers were Marathas and allied castes, 22.2 per cent were Kolis and backward castes, 9.1 per cent Muslims (p 34). As an example of a jobber risen from the ranks, the son of a spinning master at Kurla describes his father as having first been a labourer before he rose to a position where he was making Rs 600 a month at the time of his death; he became a member of the Kurla municipality in 1931 and co-operated with N M Joshi and Bakhle in the Bombay Textile Labour Union. His sons were educated; one began in politics in the late 1920s as secretary of the Maratha Social Club and the Young Men's non-Brahman Association, organised a "Chatrapati Mela" in Kurla under the inspiration of Jedhe, and later became a leader in Poona district politics (interview, K V Bandal).
- 21 Morris, *op cit*, p 5.
- 22 *Ibid*, p 186, 196.
- 23 V B Karnik, "Indian Trade Unions", pp 3-4.
- 24 According to R G Rane, in Madhavrao Bagal, (ed), "Satyashodhak Samaj Harik Mahotsav Granth" (Kolhapur, 1933), chapter 10. See also Keer, "Mahatma Jotirao Phoolay", pp 154-6.
- 25 Karnik, "Indian Trade Unions", p 3.
- 26 Din Bandhu, April 14 and 21, 1895 reports meetings of "masters and

- mukaddams."
- 27 Morris, "Emergence...", p 181. Evidence here is very sketchy; while Morris feels it had no relation to Lokhande's organisation, S S Mirazkar reports that the tradition of Lokhande's work did exist among the millworkers.
- 28 Newman, "Labour Organisation...", p 130. The Maratha Aikyeche Sabha was thus an important link organisation, with leaders such as Lokhande and S K Bole over lapping with the earlier Millhands Association and the later KHS.
- 29 Bole Memorial Book, p 5.
- 30 Newman, "Labour Organisation...", pp 124-33.
- 31 *Bombay Chronicle*, December 16, 1919.
- 32 Newman states that its activities were "biased" towards backward classes and minorities, "especially Marathas and untouchables, and to a lesser extent, the Muslims" (p 124) — a rather strange phrasing, since these were the overwhelming majority of the working classes.
- 33 Newman, *ibid*.
- 34 He was chairman of the League for two years according to *Rashtravir*, December 14, 1926; see also "Jivan-krantant", p 30.
- 35 Newman, "Labor Organisation...", p 205.
- 36 *Ibid*, p 105.
- 37 Although the GKU's membership wildly fluctuated over the years, its peak of 54-100,000 in 1929-30 far outdid the BTLU's height of 9,800 or the 25,732 of the Ahmedabad (Gandhian) Textile Labour Association at that time (see Karnik, "Indian Trade Unions", p 100; Morris, "Emergence...", p 183-4). Morris cites the figure of 54,000 for the GKU; Newman gives 50,000 members by December 1929 and 65,000 by January 1930 from Labour Office Statistics but himself estimates the membership at over 100,000 in terms of income (dues) figures (p 300). In later years the RMMS (the Congress union in Bombay textile mills) reached a height of a claimed 84,000 in 1957 and the Ahmedabad union over 80,000 in 1956 (Karnik, p 100 and Crouch, p 272).
- 38 This account bases itself on Newman's work, (see pp 181-4, 222-4) though at crucial points I differ with Newman's analysis.
- 39 Newman, "Labour Organisation...", p 184, p 236.
- 40 Information is provided by their testimony in the Meerut Conspiracy Case, where they were convicted as pro-Communist leaders of the GKU, though Kasle by this time had renounced Communism and Alve had become disillusioned; see Testimony of Arjun Atmaram Alve, August 12-September 2, 1931 and of Govind Ramchandra Kasle, 8-15 September 1931, "Meerut Conspiracy Case" (Sessions Trial no 2 of 1930). There is also a biography of Alve in *Katvari*, January 12, 1929.
- 41 Newman, p 183; this was likely a non-Brahman, possibly Asavale.
- 42 According to the *Katvari* article, Alve had been discriminated against by a Brahman teacher as a child.
- 43 Meerut testimony, pp 943-6, 978-9.
- 44 *Ibid*, pp 950-53.
- 45 *Ibid*, p 947.
- 46 Still the antagonism to such leadership and the strong basis it developed is striking when considered next to such statements as this: "A further factor was the relative authoritarian and status-conscious organisation of Indian society which tended to prevent both managers and workers from conceiving of the possibility that both groups should meet as equals at the bargaining table... The working class had been conditioned to obey their superiors"; Crouch, "Trade Unions and Politics", p 29; this of course neglects the long tradition of revolt against authority.
- 47 Newman, "Labour Organisation...", pp 184-5, 222, 246.
- 48 Article in *Krantant*, 20 June 1929; cited Meerut Case, Vol II, p 419.
- 49 Newman, "Labour Organisation...", pp 211-216. K N Joglekar, a Brahman, was the son of a posthand and a brother of a millhand; S S Mirazkar, a Shimpi, was the brother of a postman; both had been effected by the postal workers' strikes in 1919-21 and had also witnessed early mill strikes. Mirazkar in addition had attended the first AITUC in 1920 as a representative of hotel workers (interview); as a non-Brahman he was also the only one who maintained relationships with non-Brahman activity around 1927.
- 50 Haithcox, "Communism and Nationalism...", p. 55 and Vasudev Rao, "History of the Formation of the Indian Communist Party" (Telegu Communist document translated by Krishna Kumarin) (1943) p 8.
- 51 Newman, "Labour Organisation...", pp 215-16.
- 52 Such moves as the Kanpur and Meerut Conspiracy Cases very effectively disrupted the formation of a continuing organisation; similarly every Comintern delegate (from M N Roy to the British representatives) had more or less to sneak into the country.
- 53 Thus when Alve urged that Communists be accepted, he stressed not simply the need for their literary and administrative skills but also testified that they were thought to have a "true fellow feeling" towards the workers. (Meerut testimony) Newman describes their daily accessibility in the mill areas.
- 54 Newman, "Labour Organisation...", p 218; Haithcox, "Nationalism and Communism", pp 35-37; Overstreet and Windmiller, "Communism in India", pp 59-81.
- 55 Quoted Newman, p 240.
- 56 *Ibid*, p 312. Newman's is perhaps the first study to stress the important role of the mill committees, though Karnik, "Strike in India", mentions them.
- 57 Quoted *ibid*, p 317.
- 58 *Ibid*, pp 315-16.
- 59 Jay B Sorenson, "The Life and Death of Soviet Trade Unionism", 1917-28, (N Y: Atherton Press, 1969) pp 10ff.
- 60 *Ibid*, pp 67-73. See also the pamphlet, "The Bolsheviks and Workers' Control, 1917-1921" for an attack on later Russian actions; the real question is the degree to which such overriding of workers' control was based on historical necessity; Sorenson for instance stresses the role of the resistance of the managerial groups to collective management.
- 61 Antonio Gramsci, "Soviets in Italy" (Institute for Workers' Control, Nottingham, 1971), pp 7-9. For comparative Comintern statements, the Ninth plenum of the ECCI and the Fourth Congress of the RILU urged Communists to "set up factory committees as the basis of revolutionary unions" and the ECCI Tenth Plenum (1929) stated "Factory councils can and must be the natural basis of class unity from below in the factories... The winning over of the factory councils is for the Communist Party and the revolutionary trade union movement one of the most important roads to the essential industrial districts". Jane DeGras, "Communist International: Documents", Vol III, pp 56, 59. See also Vol I, pp 148-9.
- 62 Newman, "Labour Organisation...", pp 305-6.
- 63 *Ibid*, p 295.
- 64 *Ibid*, pp 292-99, 312-18.
- 65 *Ibid*, p 318.
- 66 Letter from Sir M Hayward of 30-4-1924 in Home Department File 2937-1.
- 67 Diary, June 21, 1929.
- 68 Interview, K V Bandal.
- 69 Newman, "Labour Organisation...", p 323.
- 70 The circulation of *Katvari* in 1929 was 3,000, which at that time was higher than the 2,000 of *Krantant* (the Marathi-language Communist paper) (Native Newspaper Reports, 1929). *Bhat* was the common insulting term for Brahmans in Marathi, term for Brahmans in Marathi, somewhat akin to "honkies".
- 71 *Katvari*, February 2, 1929.
- 72 *Ibid*, January 26, 1929.
- 73 Newman, "Labour Organisation...", pp 332-41.
- 74 Haithcox, "Communism and Nationalism...", p 161, 181. One evidence that anti-Communism was not itself the issue (assuming that the Royists were basically promoting a Marxist-Leninist ideology at the time) was that the leader of the Royist millworkers, Kandalkar, who became later president of the GKU and a vicepresident of the AITUC, was along with Kasle and Alve one of the men that non-Brahman leaders had attempted to appeal to (interview, K V Bandal).
- 75 Karnik, "Indian Trade Unions", pp 51-53; Haithcox, "Nationalism and Communism", pp 159-63.
- 76 The weakness of most writing on Indian communism with its reliance on official and English-language documents and its neglect of a full sociologically sensitive study of the movement within its Indian context, is this overemphasis on the international context. Windmiller and Overstreet, and Karnik, a Royist, represent the clearest tendency here of treating all the shifts and deviations within Indian communism in terms of international directives. The more recent works of Haithcox and Newman are more balanced in this respect. In general, it would seem that more recent and thorough studies of Communist movements in third world countries would question the degree of attributing very much to the shifts in and the "periods" of Comintern policy. There are for instance, "right" or "left" wing shifts in Asian Communist parties that do not at all fit with the "united front" or "class against class" periods, e.g. the PKI rebellion in Indonesia in 1926 and 1927. Surely it is no coincidence, either, that the major "left" periods in Comintern and Cominform policies coincided with a worldwide depression (1929-35) and the period of radicalism following the end of World War II, the increased expectations brought with it, and the tremendous impact of a successful Communist revolution in China (1949-52).
- 77 In Jane DeGras, (ed), "The Communist International, 1919-1943: Documents", Vol II, pp 526-547. Ruth McVey, "The Rise of Indonesian Communism" (Ithaca: Cornell University Press, 1965), p 67.
- 78 DeGras, "Communist International", Vol III, pp 22-3, 45, 156. Windmiller and Overstreet, "Communism in India", p 145.
- 79 Cited in Windmiller and Overstreet, "Communism in India", pp 150-52. Similarly in regard to "dual unionism", the policy is not at all clear. The most "ultraleft" document, the Draft Platform, did not urge union splitting but isolation of reformists and their expulsion (a trend that led to splitting only in the context of radicalisation, disorganisation and concurrent efforts of anti-Communists to expel the Communists) and advocated "the creation of a revolutionary trade union movement... based on factory committees with the leadership directly elected by the workers" (quoted in Karnik, "Indian Trade Unions" pp 41-3), something the Bombay communists had most clearly failed in doing. The Theses of the Tenth ECCI Plenum on Economic Struggle and the Tasks of Communist Parties (September 4, 1929; quoted in DeGras, pp 62-64) warned fairly clearly against the tendency of leaving reformist unions.
- 80 Ranadive gained control for the period of militancy of 1948 though he neglected peasant revolution (though one of the main inspirations for the militancy had been the Telengana insurrection) and evidently concentrated on the organisation of militant strikes and city struggles. Windmiller and Overstreet, "Communism in India", p 146, 270-281.
- 81 Quoted in Karnik, "Indian Trade Unions" p 53.
- 82 *Ibid*, p 47.
- 83 S A Dange, "When Communists Differ" (Bombay: Indian Institute of Socialist Studies, 1970), p 43.
- 84 Interview, Jagtap, "Shinde Jivan-krantant", p 109.
- 85 *Ibid*, p 107.
- 86 Crouch feels that this explanation for the GKU decline is "dubious" since the dock workers union had grown under equally "collaborationist" leadership ("Trade Unions and Politics", pp 264-5). However, dockworkers were to a large degree non-Maharashtrian, whereas millworkers were coming in increasing numbers from the Deccan district — Satara, Poona, Kolhapur — that had seen the strongest national movement; these workers, with nationalist inclinations, and natural links with the Congress leaders, formed a social basis for RMMS organising (interview, Yashwant Chavan). Crouch cites the results of a survey (which he does not fully accept) which shows Satara as having contributed 13.6 per cent of the millworkers in 1940 as compared to 5.7 per cent in earlier years (p 229).
- 87 Not only does the RMMS see its primary job as that of maintaining worker discipline and has never called a strike since independence

Mohta Alloys and Steels

MOHTA ALLOYS AND STEELS is entering the capital market with an issue of 2,40,000 equity shares of Rs 10 each and 9,995 preference shares of Rs 100 each. The company is putting up a mini-steel plant at Dhandari Kalan near Ludhiana in Punjab. The installed capacity of the plant will be 28,700 tonnes per annum and the operating capacity about 23,000 tonnes per annum. The total cost of the project is estimated at Rs 143.91 lakhs and it is proposed to finance the project by raising share capital of Rs 50 lakhs, secured loans (Rs 42 lakhs), machinery to be acquired against deferred payment guarantees (Rs 20 lakhs), bank borrowings (Rs 27.63 lakhs) and land acquired on deferred payment terms (4.28 lakhs). According to M K Mohta, Chairman of the company, the capital cost of Rs 310 per tonne of annual production is perhaps the lowest in the industry. Mohta claims that, barring unforeseen circumstances, the company should earn enough profits to pay a minimum dividend of 10 per cent on the equity capital after the first year of operation. Two furnaces one of 10/12 tonnes capacity and the other of 5 tonnes capacity are to be installed. The first furnace of 10/

(*ibid*, p 122), but it seems to have taken over some of the style and functioning of jobbers. Thus workers accuse the union of demanding bribes of about Rs 2-300 to get a job and Rs 10-12 to get the pension due to the workers on leaving a job (interview, K B Patanker). In any event, the situation up to now has been a stalemate very reminiscent of the conflicts of the 1920s: the GKU exists and is able to lead workers during strikes but cannot gain membership figures for registration: the RMMS backs out of strikes but maintains its membership through skillful Congress manipulation. Finally, the mill committee movement continues to exist, calling for abolition of the RMMS, workers control (no non-workers in the union), and inclusion of workers of all political parties in the union (a very Gramscian position) but faces opposition both from the CPI-GKU and the Congress-RMMS leadership, through they have more recently gained the backing of another Communist force, the Lal Nishan Party. Unlike the old CPI, at least some of the leaders of the recent mill committee movement stress the importance of fighting caste as well as capitalism: (interview, Gaikwad, Patanker) the banner at a 1971 united meeting was half red (the "red flag" of communism) and half blue (the "blue flag" of the untouchables' Republican Party).

12 tonnes has arrived at site and production is expected to commence by July 1973.

Steel scrap is available in abundance in and around Ludhiana whereas steel ingots are in great demand by rolling mills in Ludhiana and the nearby Govindgarh areas, which have the largest concentration of rolling mills in the country. Mohta Alloys is thus assured of both raw material and market for its products. At present mini-steel plants at Ghaziabad, Faridabad, etc, are buying their scrap from Punjab and selling their ingots to Punjab. In the case of Mohta Alloys, the two-way freight would be saved. Electricity rates in Punjab are the lowest in northern India and this plant, being located at a 'focal point', will be exempted from electricity duty to the extent of 25 per cent and totally from sales and purchase taxes for a period of five years. The power position in Punjab should improve considerably with the commissioning of the Bhatinda thermal station and the completion of the Sutlej Beas Link.

The subscription list of the public issue will open on May 7, 1973.

Curbing Concentration of Economic Power

A Critique of the New Licensing Policy

A N Oza

The new industrial licensing policy announced in February this year gives the impression of retaining intact the basic features of the policy announced in 1970 with regard to curbing the concentration of economic power. Thus investment proposals of the large business houses are to continue to be subject to licensing regardless of their size and these houses are to be normally permitted to invest only in the core sector.

The rigour of application of both these restrictions has, however, been substantially diluted by, first, the change made in the definition of what constitutes a business house and, second, the revision of the list of core industries open to large houses.

If these vital features of the new industrial licensing policy are adequately taken into account, the conclusion is unavoidable that the objective of curbing the growth of large business houses and checking concentration of economic powers now occupies a lowly place in the government's scheme of priorities.

I

FOLLOWING the recommendations of the Industrial Licensing Policy Inquiry Committee (Dutt Committee), industrial licensing policy was very substantially revised in February 1970, primarily with a view to circumscribing the role of large business houses. However, in February this year licensing policy was again revised in such a manner as to materially dilute the effects of the policy introduced three years ago. That in a matter of three years the government should have developed cold feet about striking at the roots of the growth of big business shows how unsure and insincere it is about controlling the growth of big business houses so as to more widely distribute the opportunities for growth in the private sector.

The principal finding of the Dutt Committee was that the working of industrial licensing policy had been the basic cause of industrial growth in the private sector being concentrated in a few large houses. Approval of foreign collaboration agreements and the supply of institutional finance, being conditioned by the issue of industrial licences, had also favoured the growth of large houses. At the same time, the instrument of licensing had also failed to create industrial capacity according to Plan priorities but had brought about the rapid growth of a number of non-priority industries. The Dutt Committee's Report thus showed that the failure to curb economic concentration and the diversion of investment to non-priority industries had gone hand in hand. It was in view of this twofold failure that the Dutt Committee had suggested the incorporation of explicit

criteria in industrial licensing to discriminate against the large houses and in favour of other entrepreneurs.

In the decade preceding the publication of the Dutt Committee's Report, the average rate of industrial growth had been quite respectable — about 7 to 8 per cent per annum. During the same period, a number of inquiries (two by R K Hazari, one by the Mahalanobis Committee, and one by the Monopolies Inquiry Committee) had shown that the composition of this growth had been inconsistent with the Directive Principles of the Constitution. In the first phase of Indira Gandhi's reign in the late sixties, the government therefore used to be put on the mat in Parliament for its failure to check concentration of economic power and not so much for slow industrial growth. Also, since the Dutt Committee's Report became available about the time of the Congress split, the recommendations came in handy for Indira Gandhi in building up her radical image. It was, therefore, for reasons of political expediency, and not so much because it was convinced of the ideology underlying them, that, within a year of the Congress split, Indira Gandhi's government sought to implement some of the proposals of the Dutt Committee.

The government followed up the revision of its industrial licensing policy along the lines suggested by the Dutt Committee with the enactment of the Monopolies and Restrictive Trade Practices Act and the appointment of the MRTP Commission to administer the anti-concentration provisions of the MRTP Act. Further, the government also vested the public financial institutions with the power to convert loans given by them to private sector units

into equity. The Dutt Committee had strongly suggested the creation of joint sector enterprises in the 'core' industries with a view to socialising the management of the enterprises controlled by the large houses in the core industries. However, this was perhaps the only major recommendation of the Dutt Committee that was not accepted by the government in 1970.

The revision of industrial licensing policy in February 1970 had two major features. First, though the exemption limit for industrial licensing in terms of the size of investment was raised from Rs 25 lakhs to Rs 1 crore, the large houses were required to secure industrial licences regardless of the size of investment. Second, the large houses were to be permitted to invest only in specified, core sector industries and in heavy investment industries.

The new industrial licensing policy announced in February this year seeks to give the impression of retaining intact both these features of the 1970 policy. Investment proposals of the large houses are to continue to be subject to licensing regardless of their size, and these houses are to be permitted to invest only in core sector industries. However, the rigour of application of both these provisions has been substantially affected by, first, the change made in the definition of a large house and, second, the revision of the list of core industries open to large houses.

Government has claimed that the purpose of these revisions is to enhance the effectiveness of licensing policy in controlling concentration of economic power without sacrificing industrial growth. However, closer examination of the proposed changes indicates that the government's intentions are very

different. Whatever be their effect on growth, the changes made in industrial licensing policy considerably relax the restrictions on large houses.

II

Under the 1970 licensing policy, a business house was deemed to be a 'large' house if the total assets of the enterprises under its control added up to at least Rs 35 crores. This was the size-limit adopted by the Dutt Committee to identify the 20 'larger' industrial houses. After detailed investigations, the constituent units of those houses were listed in the Committee's Report. Under the new policy, the minimum size of assets for qualifying as a large house has been lowered from Rs 35 crores to Rs 20 crores. Henceforward a business house controlling undertakings with aggregate assets of at least Rs 20 crores will be considered a 'large' house. The lowering of the limit has been justified on the ground that the revised limit of Rs 20 crores is what has been adopted in the MRTP Act. The anti-concentration provisions of the MRTP Act, under which new units and substantial expansions require sanction under the Act, apply to enterprises which belong to a group of 'inter-connected' undertakings the sum of total of the assets of which is Rs 20 crores or more.

It might appear that the consequence of the lowering of the asset criterion for identification of a large business group would be that a larger number of business houses will henceforth qualify as large houses. Some estimates suggest that whereas out of the 70 business houses listed by the Dutt Committee, the earlier limit of Rs 35 crores covered only 20 business houses, the new lower limit of Rs 20 crores will rope in about two dozen more under the category of large houses. This optimistic expectation would indeed have had some justification had the Dutt Committee's definition of a business house been retained. Actually, the new licensing policy has given up the Dutt Committee's criteria for defining the constituent units of a large house in favour of the criteria of 'inter-connected' undertakings laid down in the MRTP Act. As we shall see later, the criteria for defining a business group prescribed in the MRTP Act are such that many large undertakings which the Dutt Committee had deemed to be part of one or the other large house may no longer be deemed to be so. It may now become possible for large

houses to divide themselves up on paper into single large units and/or small clusters of 'inter-connected' undertakings with the size of their assets well below the Rs 20 crores limit. Thus, while the revised Rs 20-crore limit will have the effect of enlarging the coverage of large houses, the new criteria for defining a business house will have the effect of reducing the number of business houses which are likely to be considered 'large' for licensing purposes. The net effect of these two opposite changes will on balance be favourable to the large houses.

DUTT COMMITTEE'S DEFINITION

We may compare the Dutt Committee's definition of large houses, which formed the basis of the 1970 licensing policy, with the criteria of 'inter-connection' set out in Section 2(g) of the MRTP Act which form the basis of the new policy. The Dutt Committee had not only defined what constituted a business house in clear terms but had also submitted for the use of the licensing authorities (i) the specific criteria the Committee had applied for identifying the undertakings under the common control of a business group; and (ii) a list of enterprises which the Committee's investigations had established as being controlled by the 20 large houses. The government had accepted these two submissions of the Committee without any modification for use as the data-base for decision-making. None of the large houses formally objected to the list of companies given in the Dutt Committee's Report. That is, each of the 20 large houses identified by the Committee tacitly accepted that the companies, listed by the Committee as being under its control, were in fact under its control.

Following R K Hazari, the Dutt Committee defined a business house (or group) as consisting of "those business concerns over which a common authority holds sway". Despite their separate legal entities and despite their day-to-day management being carried on by legally separate authorities, such concerns, according to the Committee, function in unison as parts of a common organisation under the overall guidance and direction and with the support of a closely knit group of persons. To determine which 'concerns' could be regarded as being under the "sway" of a "common authority", the Committee went by the substance of control and not by the legal definitions

of a "group" and of concerns "under the same management" laid down in Sections 372 and 370, respectively, of the Companies Act. The criteria adopted by the Committee were basically the same as those first used by R K Hazari. Briefly, these were:

- (1) Companies admitted by a particular business group (house) as being under its control in the replies sent by it to the Committee's questionnaires or in souvenirs or other house publications.
- (2) Concerns functioning as managing agents/secretaries and treasurers which were wholly or substantially owned by the controlling authority of a house (i.e. the nucleus family) along with their relatives.
- (3) Companies managed by concerns falling under (1) or (2).
- (5) Companies deemed to be "under the same management" in relation to companies falling within (1), (2) or (3) above within the meaning of Section 370 of the Companies Act.
- (5) Subsidiaries of companies falling under any one or more of (1) to (5).
- (6) Companies in which at least one-third of the "effective equity" (i.e. total equity minus the equity holdings of financial institutions, governments and non-residents) is clearly identifiable as the interest of the house — i.e. the holdings of companies under any one or more of (1) to (5) and/or of the members of the nucleus family and its relatives and senior executives of companies under any one or more of (1) to (5).
- (7) Concerns which, on the basis of other circumstantial evidence and special characteristics, can be identified as constituents of the house in question. Such circumstances and characteristics may consist of common addresses, common telephone and telex numbers, sole selling agency agreements, presence of house employees on the boards of directors, etc. (This criterion was used by the Committee only in unambiguous cases.)

The criteria adopted by the Dutt Committee to designate companies as belonging to a particular business group were thus based on the actual mechanics of corporate control. Some of these

criteria may not be amenable to tests of legal proof. Most important, the Dutt Committee was not concerned with establishing whether or not two or more companies, say, A and B, were 'inter-connected'. Its concern was with establishing whether A and B were under common control (i.e. under control of a common decision-making authority) regardless of whether or not they were inter-connected. For example, according to the Dutt Committee's methodology, groups of enterprises like Century, Orient Paper and Hindustan Motors or TELCO, TOMCO and TISCO or New Shorrock and NOCIL need not be groups of 'inter-connected' companies and yet the groups could, on the basis of the substance of their control, be considered as being controlled by Birlas, Tatas and Mahatlas, respectively.

The Dutt Committee's recommendations had considerably eased the licensing authorities' task of decision-making in relation to applications from large houses. The Committee had provided them with a set of specific criteria to establish whether or not a company belonged to a particular large house as well as a list of companies controlled by each of the large houses for ready reference. Given the clearly spelled out criteria and the lists of companies belonging to the large houses, the onus was on the applicant company to establish that it did not in fact belong to a large house.

Under the new industrial licensing policy, these advantages will not be available to the licensing authorities. The new policy adopts the criteria laid down in the MRTP Act for defining a large house and for identifying a company as belonging to a large house. The MRTP Act defines a business house in terms of a group of 'inter-connected' undertakings. To determine whether or not a company applying for an industrial licence belongs to a 'large' house, the licensing authorities will need to establish (i) its 'inter-connection' with other undertakings in terms of Section 2(g) of the MRTP Act, and (ii) whether or not the aggregate value of the assets of that company together with the total assets of its 'inter-connected' undertakings adds up to Rs 20 crores or more. Obviously, the second of the above two questions can be settled only after the first has been answered, i.e. only after the fact of inter-connection of an undertaking with other undertakings has been established. And for this purpose, the vague and loose criteria provided

in Section 2(g) of the MRTP Act are of very little use to decision-makers.

Although Section 2(g) of the MRTP Act lays down as many as seven criteria to determine inter-connection among two or more undertakings, not all of them are relevant to undertakings that are corporate bodies. And, from the point of view of industrial licensing, only the criteria for establishing inter-connection among corporate bodies are important. According to Section 2(g), undertakings owned by corporate bodies are deemed to be 'inter-connected' in the following circumstances: (i) if one manages the other; or (ii) if one is a subsidiary of the other; or (iii) if they are under the same management within the meaning of Section 370 of the Companies Act; or (iv) if one exercises control over the other in any other manner. Further under Section 2(g) (vii), if one undertaking in inter-connected with another by any of the above criteria, and the second with a third and so on, then all of them are deemed to be inter-connected; that is, if A is inter-connected with B, and B with C, and C with D, then all the four are deemed to be inter-connected with one another. Let us examine the implications of these criteria for evolving a legal definition of the phenomenon of business houses.

Of the above criteria, the first is now irrelevant with the abolition of the managing agency and its variants like secretaries and treasurers. It was only under the managing agency system that one company could manage one or more other companies. Similarly, the criteria by which companies are deemed to be inter-connected because of being "under the same management" within the meaning of Section 370 of the Companies Act is, again, of no significance for defining a business house. Of the five criteria laid down in Section 370 of the Companies Act for identifying companies under the same management, one refers to the managing agency system and is, therefore, of no relevance any more. The remaining four criteria are as follows: two companies are deemed to be under the same management if (i) a majority of the directors of one company constitute a majority of the directors of the other; or (ii) at least one-third of the total voting power (i.e. total equity capital) of the two companies is controlled by the same individual or by the same company; or (iii) the holding company of a subsidiary is under the same management, judged by any of the

above criteria, as another company; that is, if B is a subsidiary of A and A is under the same management as C then A, B and C are all under the same management; or (iv) one or more directors who, by themselves or with their relatives, hold a majority of shares in one company also hold a majority of shares in the other.

Anyone even slightly familiar with the *modus operandi* of business houses knows that the company law concept of a 'group' in terms of companies under the same management is too narrow and legalistic to even partially envelop the concept of a business house as it actually operates in India. For a business house to control a number of companies, it is not at all necessary to pack the boards of each of them with a majority of directors of its choice. Similarly, very few large enterprises are in fact controlled by any of the big business houses by virtue of the same individual or the same company holding more than one-third of the company's total equity. For control of a widely-held company, what matters is control of the largest block-vote, even if it be less than one-third or even 10 per cent of the total equity and even if it is held through several apparently independent nominees and/or companies who really work in cohesion, projecting the common interest of the business house. Further, since in most large companies a significant proportion of the equity is held by public financial institutions, what a business house needs to maintain control over a company is control of the largest block-holding of the 'effective' equity (as defined earlier) and not of total equity.

It is clear from the above that the provision of Section 2(g) of the MRTP Act seeking to define inter-connected undertakings on the basis of the company law concept of "companies under the same management" is too inadequate to rope in even one-tenth of the number of companies that each of the large houses in fact controls. According to the fourth criterion laid down in Section 2(g) of the MRTP Act, two undertakings are inter-connected if one controls the other in "any other manner". This is not a workable criterion for either legal or practical purposes since it begs the question. Except in the case of a subsidiary company, in what other circumstances can one company be regarded as controlling the other? This is a question of law as well as of fact. Since the MRTP Act throws

no light on what the law means by "controls...in any other manner", the implication is that the law intends to leave it to the MRTP Commission (or the Company Affairs Department, which administers the MRTP Act) to evolve, by building up case law, the criteria by which one company, which is not a holding company and does not fall within the "same management" definition, can be considered as controlling another company. If the MRTP Commission's investigative efforts — or, more accurately the efforts of one of the members of the Commission — to collect all available factual evidence for determining the inter-connections of such companies as TELCO or Century, as part of the Commission's examination of their expansion proposals, had not been interfered with, then perhaps by now some precedents might have been set to facilitate the interpretation of the nebulous criterion, "controls...in any other manner". However, this opportunity was missed, perhaps intentionally. There is now hardly any hope that the Licensing Committee will effectively use this sufficiently wide but vague criterion of Section 2(g) to identify companies under the control of large business houses.

These deficiencies in the MRTP Act's definition of inter-connected undertakings, particularly for the purpose of providing a set of legal criteria for defining a business house, had been anticipated in this journal at the time of the passing of the Act. (See A N Oza: 'Monopolies and Restrictive Trade Practices Act', February 28, 1970 and 'Putting Teeth into the Monopolies Act', Special Number, July 1971.) When the MRTP Commission was dealing with cases like Gwalior Rayon, Century, TELCO and other large house companies, it had become clear that because of the deficiencies of Section 2(g) certain large companies which in fact belong to certain large houses (and which had not objected to their inclusion in the lists of companies controlled by large houses compiled by the Dutt Committee), could successfully deny being part of any large house. The experience of the working of the MRTP Act has adequately proved that, for controlling concentration, the Dutt Committee criteria for defining a business house were definitely superior to those of Section 2(g) of the MRTP Act.

In addition to the weakness of Section 2(g) another major lacuna is that, under the MRTP Act, a number of undertakings are deemed to constitute a business house only if they form a

chain of inter-connected undertakings. That is, only those undertakings that can be established to be inter-connected can be considered as forming a business house. Companies which are not part of the chain of inter-connected undertakings are *ipso facto* considered independent, i.e. not controlled by any large business group. The result is that though earlier the Birlas, for example, had tacitly accepted the fact of 185 undertakings being under their control (as per the Dutt Committee's report to which they raised no objection), only 40 of these have been registered as inter-connected and/or dominant undertakings under Section 26 of the MRTP Act. Of these, excluding the non-interconnected dominant undertakings, the number of inter-connected undertakings is likely to be 35 at the most. The number of companies under the control of the other large houses must have been similarly 'pruned' by the MRTP Act's definition of a business house.

How this definitional 'reduction' in the size of large business houses occurs can be seen if one scans through the details of the applications referred to the MRTP Commission. Take the instance of India Linolium, a Birla company submitted as being inter-connected with only four other Birla enterprises, viz, Birla Jute, Bihar Alloy Steels, Assam Jute Supply and Express Dairy. On the other hand, another Birla company, Gwalior Rayon, claimed that it had no inter-connection with any enterprises (Birla or other). Thus under the MRTP Act's definition of a business group, the first five companies will constitute one group, independent of Gwalior Rayon, although in fact all the six companies constitute a part of the same group (or conglomerate of companies) under the control of Birlas. In other words, the result of the adoption of the MRTP Act's definition of a business house will be that the existing large houses will on paper, and legally, be sub-divided and fragmented into apparently independent clusters of 'inter-connected' enterprises though in fact these clusters operate as part of a group.

Not that the government, or the Company Affairs Department in particular, is unaware of these deficiencies of Section 2(g) of the MRTP Act. Yet the government does not want to amend the Act. The reason simply is that it does not want to lose its manoeuvrability and scope for discretionary action in dealing with applications from large houses for industrial licences. Instead

of a straightforward amendment of the MRTP Act's criteria for determining 'inter-connection' the government has thought of a roundabout way of overcoming the deficiencies of Section 2(g), that is, by amending the Companies Act definition of "companies under the same management" which is one of the criteria of 'inter-connected' undertakings laid down in Section 2(g) of the MRTP Act. Under the proposed amendment, which has been before Parliament for about a year now, the criteria for establishing that two companies are under the same management are to be as follows:

(i) If one exercises control over the other or both are under the control of the same group or any of the 'constituents' of the 'same group'; or

(ii) if the two companies have the same managing director or manager; or

(iii) if (a) one holds at least one-third of the shares (equity or preference) in the other; or (b) one controls at least one-third of the total membership of the board of directors of the other; or

(iv) if one or more directors (independently or together with relatives) of the company constitute one-third of the board of the other; or

(v) If the same individual or individuals belonging to a group while holding (by themselves or together with their relatives) at least one-third of the shares (equity or preference) in one company also hold at least one-third of the shares in the other;

(vi) If the same company or companies belonging to a group while holding at least one-third of the shares in one company, also hold at least one-third of the shares in the other; or

(vii) if at least one-third of the total voting power in respect of any matter relating to either of the two companies is exercised or controlled (a) by the same individual, whether independently or together with relatives; or (b) by the same company, whether independently or together with its subsidiaries; or (c) by individuals belonging to a group; or (d) by companies belonging to a group; or (e) jointly by such an individual or individuals and one or more of such companies;

(viii) if the directors of the company are accustomed to acting in accordance with the directions or instructions of one or more directors of the other, or if the directors of both the companies are accustomed to acting to the directions of any individual whether belonging to a group or not;

(ix) if a group exercises control over

a company then that company and every other constituent of the group shall be deemed to be under the same management.

The above definition of companies under the same management is no doubt considerably more extensive than the existing one. However, for the purpose of providing a legal definition of the amorphous concept of a business house and for specifying the criteria for identifying the companies under the control of a business house, even this revised definition of companies "under the same management" is not as specific and legally workable as it appears to be at first sight. In the above list, criteria (i), (vi), (vii) (c) and (d) and (ix) are the most important ones. But each of them is based on the presumption that either in company law or in some other statute the concepts of 'group', 'individuals belonging to a group' and 'constituent companies of a group' are clearly defined. This presumption is not valid. The proposed new definition of companies "under the same management" will, therefore, raise many questions of law as well as of fact before it can be applied.

The existing company law definition of a 'group' (Section 372), which is not proposed to be amended, is of no use whatever in this respect. For, under this definition, a company is deemed to belong to the same 'group' as another company which has invested in it if it is the managing agent of the investing company or if the two are deemed to be under the "same management" within the meaning of Section 370. Thus the new definition of companies "under the same management" involves circularity in the sense that its application is dependent on the definition of a 'group' which in turn is dependent on the definition of companies "under the same management". In other words, although the new definition of companies "under the same management" will, when enacted, strengthen and considerably extend the scope of the definition of inter-connected undertaking as laid down in Section 2(g) of the MRTP Act, it will not overcome the difficulties of applying Section 2(g) for bringing within its ambit all the companies which are in fact controlled by a large business house. The problem of bringing large enterprises like TELCO and TISCO of Tatas, Century, Gwalior, Hindustan Motors and Hindustan Aluminium of Birlas, and NOCIL of Mafatlals, for instance, within the meaning of groups of 'inter-

connected' undertakings will remain even after Section 370 of the Companies Act is amended. It can be solved only by adopting the approach of the Dutt Committee. That, under its new licensing policy, the government has instead preferred to discard the very useful tools provided for decision-makers by the Committee and to replace it with unworkable legal contraptions like Section 2(g) of the MRTP Act makes it clear that the government's real purpose is to abandon the objective of curbing the growth of big business, at least in the next Five-Year Plan period.

III

That the principal objective of the new industrial licensing policy is to remove the hurdles placed in the way of the growth of big business houses by the licensing policy of 1970 is also clear from the revised definition of 'core' sector industries. Like the 1970 policy, the new policy restricts the large houses to the 'core sector'. But the scope of the 'core sector' itself has been substantially enlarged under the new policy. On the basis of the Dutt Committee's recommendations, the core sector was defined in specific terms in the 1970 licensing policy. It included only the following industries: (1) agricultural inputs, fertilisers, pesticides, tractors and power tillers, rock phosphate and pyrites; (2) iron and steel; iron ore, pig iron and steel, alloy and special steels; (3) non-ferrous metals; (4) petroleum; oil exploration and production, refining, selected petrochemicals; (5) coking coal; (6) heavy industrial machinery (specified); (7) shipbuilding and building of dredgers; (8) newsprint; (9) electronics (selected components, testing and control equipment, wireless and microwave equipment).

By contrast, core industries are so broadly defined in the new policy announcement that the list includes practically every industry in which big business houses have been interested and are likely to be interested in future. It includes even low priority but highly profitable industries like man-made fibres and synthetic detergents. Not only is the number of categories of industries included in the 'core sector' larger but the scope of each category is broader than in the 1970 policy statement. And as if all this were not enough to soothe the feelings of the large business houses ruffled during the years 1970 to 1972, the Minister of Industrial Development has promised to

remove all post-licensing delays by offering a package of the required sanctions and permissions, like capital goods imports and term finance, simultaneously with the issue of the industrial licence.

IV

The reason for the unmistakable change in the government's attitude towards the large houses is to be seen in the slow industrial growth of the last few years as well as the strategy of the Fifth Plan. Though the Fifth Plan Approach document pays lip-service to the objective of reduction of poverty, in the Approach document scheme of things, this objective will at best be an appendix tagged on the basic investment strategy determined on the basis of other considerations. As in the Second Plan, the essence of the strategy is the emphasis placed on the core heavy investment industries. The annual growth targets for these industries are set at 10 to 17 per cent, compared to the prevailing rates of 3 to 5 per cent. Against this strategy and these ambitious growth targets for the core industries, the objective of curbing the growth of the large business house and checking concentration of economic power must necessarily take a lowly place in the scheme of priorities.

This conclusion is entirely supported by the general paragraph on the 'joint sector' incorporated in the new licensing policy statement — perhaps as a sop to the Minister for Industrial Development. The overall impression conveyed by the paragraph is that there is nothing new about the joint sector as a policy device; that it has existed all along since 1956 insofar as the government has, directly and through the public sector financial institutions, contributed to the equity of private sector enterprises; and that in future too the government will encourage the setting up of joint enterprises as a "promotional device". All this is far cry indeed from the Dutt Committee's view of the joint sector (See A N Oza: "Dissecting the Joint Sector", October 28, 1972.) As the Committee saw it, the joint sector was part of an integrated scheme — the other parts of which were discrimination against large business houses in industrial licensing, curbing of concentration of economic power, and break-up of large houses through anti-monopoly legislation and conversion of loans by public financial institutions into equity.



The Vijaya Bank Ltd.

Regd. Office: Light House Hill Road, Mangalore-3.
Admn. Office: Race Course Road, Bangalore-1.

Statement by the Chairman Shri Mulki Sunder Ram Shetty

at the 41st Annual General Meeting of the Shareholders
of the Bank held at Mangalore on April 12, 1973.

LADIES AND GENTLEMEN,

I have great pleasure in extending to you a hearty welcome to the 41st Annual General Meeting of our Bank. The Directors' report and Audited Accounts for the year ended 31st December, 1972 have been in your hands for some time now and with your permission I shall take them as read.

THE ECONOMIC SCENE 1972

For India, the year 1972, was a year of trials and tribulations. We have had to face many a new challenge. The new spirit of self-confidence which pervaded the country in the beginning of the year began to give way under the weight of economic problems that cropped up later. However, the Union Government and the State Governments did their best to re-instil the spirit of confidence. Now, we find a welcome change in the attitude of the people and the country seems prepared mentally to take all these problems in her stride.

However, the experiences of 1972 have brought into sharp focus two important facts which should warn us against self-complacency. Firstly, our achievements in various fields are not adequate to withstand the strains generated under unfavourable and adverse natural conditions. Secondly, without hard work and discipline the country cannot come by that capacity and endurance which will enable her to survive crises she may have to face.

On the international front, the pound sterling was left to float itself in June 1972 and many exchange controls were imposed by the UK Government "virtually putting an end to the sterling area". The prices of gold shot up sharply to reach unprecedented levels. The situation in the exchange markets remained highly fluid and uncertain.

The Indian economy was under considerable strain during 1972. This reflected, to a considerable extent, the rather unsatisfactory growth of agri-

cultural production in 1971-72. The kharif season of 1972-73 also suffered a set-back. Unfortunately, there was a significant increase in monetary outlays on account of refugee relief measures and increased defence expenditure during this period. Certain unforeseen events such as drought and natural calamities further aggravated the situation and raised the government expenditure. The resulting imbalance between the demand



Shri Mulki Sunder Ram Shetty

and supply, particularly with regard to foodgrains, vegetable oils and sugar, led to an enormous increase in the prices of basic necessities of life. The wholesale price index shot up by 13.7 per cent in the year 1972.

Many states had to face the serious problems of acute power shortage mainly due to the erratic behaviour of the monsoons.

Despite this, it is interesting to note that there was a sharp acceleration in the rate of growth of industrial production. The increase in industrial production is estimated at 7 per cent as com-

pared to an increase of 2.9 per cent in 1971.

It is heartening to note that our performance on the export front was found to be encouraging. The total export earnings during the eight months ended November, 1972 stood at Rs 1,239 crores, recording an increase of more than 23 per cent over the value of exports during the same period in 1971.

As regards the rate of domestic savings in 1972 it is believed that it may be slightly higher than in 1971. However, it must be remembered that the increase in rate of savings achieved in recent years is not much higher than the rate of savings realised in the early sixties.

All these facts strongly suggest that a higher standard of economic performance is required in all sectors of the economy if we are to achieve the goals of national development. I would like to assure you that our Bank will play its full role in achieving these goals.

THE BANKING SYSTEM

Though the performance of commercial banks in India in the year 1972, considering the difficult conditions that prevailed in the country, could be considered as satisfactory, the growth rates of deposits and advances as also the pace of branch expansion showed downward trends. It also proved to be a year of contrasts. There was excess liquidity in the banking system. An unusual situation developed when the banks had to bear the burden of a surfeit of funds without finding sufficient outlets for advances. Against a credit rise of Rs 599 crores in 1971 and Rs 861 crores in 1970, there was a rise of only Rs 345 crores in 1972. The rate of credit growth dropped sharply from 13.5 per cent in 1971 to 6.9 per cent in 1972. This painful burden of excess liquidity in the banking system made many of the major banks compete for advances and thus led them into an 'interest rate war' in the country.

As regards the deposits, the banks mobilised Rs 1,223 crores as fresh deposits during the year taking the total deposits of the country to Rs 8,145 crores as at the end of December, 1972, an increase of 17.4 per cent over the deposits of 1971. The increase during 1971 was 22 per cent. Inflationary pressures operating on the economy and the drought conditions prevailing in many parts of the country might have been responsible for the slower rate of deposit growth in 1972.

The total number of branches opened during 1972 stood at 1,763, slightly less than the total number of branches open-

ed in 1971. As at the end of December last, the total number of branches stood at 14,739, the average population served by a branch being 37,000.

CREDIT POLICY

As you all know, the money supply with the public has been increasing at an accelerated rate during the last few years. It has been observed that the major contributory factor in the growth of money supply was the net increase in bank credit to Government. The net increase in bank credit to Government was of the order of Rs 980 crores between March 1972 and January 12, 1973. The money supply stood at Rs 8,759 crores as on January 12, 1973, recording an increase of about 12.3 per cent in one year. But unfortunately, the rate of growth of real national output has been decreasing during the same period. The annual rate of growth which was 7.3 per cent in 1969-70 declined to 2 per cent in 1971-72. The rate of growth for 1972-73 is estimated to be about 2 per cent. As a result, the gap between the aggregate demand and the aggregate supply was widened and inflationary pressures were operating with great force on the economy of our country. Therefore, the Reserve Bank of India has been pursuing a fairly restrictive credit policy, keeping always in view the genuine credit needs of the productive sectors and the weaker sections of the community, during these years of increasing inflation.

In the slack season of 1972, there was no major change in the credit policy, excepting some modifications in the fields of selective credit controls. But the situations that developed later in the economy made the Reserve Bank of India come out with a credit policy of a more restrictive nature for the busy season of 1972-73. The mounting pressure on prices and the excess liquidity in the banking system were the two important problems faced by the economy. Therefore, the Reserve Bank did well by taking measures to syphon off the excess liquidity and to enable banks to assist in increasing the production, industrial as well as agricultural. The statutory liquidity requirement of banks was further raised to 30 per cent from 29 per cent and the minimum net liquidity ratio relevant for determining the rate of borrowings from the Reserve Bank of India was raised from 34 per cent to 36 per cent.

The banks utilised their surplus funds to repay their borrowings from the Reserve Bank and to step up their investment in Government securities.

The borrowings from the Reserve Bank which stood at Rs 171.15 crores as at the end of 1971 came down to Rs 8.55 crores at the end of 1972. The investment in Government securities in 1972 was of the order of Rs 507 crores whereas it was Rs 291 crores in 1971.

OUR BANK

I am indeed very happy to report to you that our Bank had another successful year in 1972. It maintained the all-round progress we achieved during the last few years, particularly during these four years since 1969, the year in which your Chairman was

appointed as the full-time Chairman and Chief Executive of the Bank. It may be of interest to you to know that our deposits increased by about 354% during this period of four years — from Rs 13.20 crores to Rs 58.86 crores while the number of branches went up to 184 from 89 showing an increase of 107%. The paid-up capital was increased to Rs 59.6 lakhs from Rs 13.8 lakhs and the reserves reached the mark of Rs 36 lakhs from a low level of Rs 7 lakhs during the same period. And the increase in advances was more than fourfold from Rs 8.82 crores to Rs 36.10 crores. The return on your

Industrial Finance Corporation of India

5 $\frac{3}{4}$ % Bonds 1985

PAYMENT OF INTEREST AND REPAYMENT OF PRINCIPAL GUARANTEED BY THE GOVERNMENT OF INDIA

AMOUNT OF ISSUE : Rs. 12,00,00,000.

ISSUE PRICE : Rs. 100.00 PERCENT.

REDEEMABLE AT PAR ON THE 30TH APRIL 1985

The Bonds are approved securities under the Indian Trusts Act, the Insurance Act and the Banking Regulation Act, and are also eligible for grant of advances to scheduled banks by the Reserve Bank of India. These are on the approved list of securities of the State Bank of India and are also eligible for investment of the accumulations of the Provident Funds, exempted as well as non-exempted.

Subscription will be received in cash/cheque at the Branches of the Reserve Bank of India at Bangalore, Bombay, Calcutta, Hyderabad, Kanpur, Madras, Nagpur, New Delhi and Patna from Monday, the 30th April 1973. The list will be closed without notice as soon as the total subscriptions amount to Rs 12.00 crores, and in any case, not later than the close of business on Friday, the 4th May 1973. The Corporation reserves the right to retain subscriptions received upto 10 per cent in excess of the sum of Rs 12.00 crores.

The Bonds will have a currency of 12 years, and will be repaid at par on the 30th April 1985. These will bear interest at the rate of 5 $\frac{3}{4}$ per cent per annum from the 30th April 1973. Interest will be payable half yearly on the 30th October and 30th April and will be subject to tax under the Income Tax Act 1961.

Copies of the Prospectus and application forms can be had from the Offices of the Reserve Bank of India as also from the Head Office of the Corporation at Bank of Baroda Building, 16-Parliament Street, P. B. No. 363, New Delhi-1, its branches/sub-offices at (i) Jivabhai Chambers, Ashram Road, P. B. No. 4049, Ahmedabad-9, (ii) 22-Mahatma Gandhi Road, P. B. No. 5091, Bangalore-1, (iii) 20-Forest Park, Bhubaneswar-9, (iv) Mehta Mahal (5th Floor), 15-Matthew Road, P. B. No. 3928, Bombay-4, (v) 4-Mango Lane (2nd Floor), P. B. No. 2483, Calcutta-1, (vi) G. N. Bardoloi Road, Chandmari, P. B. No. 30, Gauhati-1, (vii) 6-3-631 Zilla Parishad Road, Khairatabad, P. B. No. 11, Hyderabad-4, (viii) Aggarwal Building, Canal Crossing, The Mall, P. B. No. 319, Kanpur-4, (ix) Raji Building (3rd Floor), 147-Mount Road, P. B. No. 1080, Madras-6, (x) 43-Pataliputra Colony, Patna-13 and also from the Delhi Division at 5-Parliament Street (Jeevan Tara Building), New Delhi-1.

Arrangements will be made for listing of these Bonds at the Bombay, Calcutta and Madras Stock Exchanges.

Brokerage will be paid at the rate of six paise per Rs 100/- to recognised banks and brokers on allotments made in respect of applications for the Bonds tendered by them and bearing their stamps.

New Delhi,
Dated the 10th April 1973.
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C. D. Khanna
Chairman

investment in the shares of the Bank was doubled — from 6% it went up to 12%. The increase in bonus for the employees was almost threefold — from 4% it went up to 11%.

In the year 1972, our deposits went up to Rs 58.86 crores from Rs 43.64 crores as at the end of December 1971, recording an increase of 35%, slightly more than double the average increase of 17.4% in the banking system. Our advances stood at Rs 36.10 crores, recording an increase of about 40% over the previous year. The average credit-deposit ratio was 63.5%. I am very happy to report that our advances to priority sector formed 32% of our total advances.

Regarding the opening of branches, though we could not reach the mark of 200 branches as mentioned in my address last year, it proved to be a record year for us. We opened 43 branches in 1972 — more than 23% of the total number of branches, the increase over the previous year being 30.5%. I am happy to inform you that we have already obtained licences to open a number of branches in important places of our country both in the North and the South. As of today we have a total of 189 branches. Two more branches, one at Calcutta and the other at Panaji (Goa) will be opened shortly.

WORKING RESULTS

As you can gather from the facts and figures presented to you, every effort was made to increase our profits. The increase in our advances, in percentage terms, was higher than the increase in our deposits, although the rate of credit growth in the banking system dropped sharply from 13.5 per cent in 1971 to 6.9 per cent in 1972. Measures were also taken to reduce the cost of operation at various levels.

Turning now to our working results for the year 1972, I am pleased to report that our gross earnings reached the level of Rs 4.51 crores, showing an increase of more than 45%. However, mainly as a result of increase in the expenditure under salaries and allowances — partly due to the upgradation of the Bank into 'A' class and partly due to the fresh recruitment of more than 1,000 persons during 1971 and 1972 and also partly due to the expenses associated with the opening of a number of new branches in 1972, our increase in net profits could not be very high.

However, I am happy to say that our working ratio of salaries and allowances to the gross earnings declined to 0.30

from 0.32 in 1971. Our staff deposit ratio also declined to 42.5 per one crore of deposit from 43.5 at the end of 1971.

FOREIGN EXCHANGE

As regards the foreign exchange business, though we started it just about a year and a half ago, there was a significant improvement in the performance of the business during 1972. Eight of our branches, viz, K G Road-Bangalore, Fort-Bombay, Cochin, Hyderabad, Madras, Light House Hill Road-Mangalore, New Delhi and Guntur have already been authorised to deal in foreign exchange business. The proposed branches at Calcutta, Lucknow, Jaipur, Goa, etc, will be included in due course.

We have concluded agency arrangements with over 60 important international banks at almost all the important centres of the world.

HUMAN RESOURCES

As you are aware, we are passing through an era of rapid change. The new banking policy has added new responsibilities to the bankers. The progress and growth of a service agency like a bank inextricably depends on the performance of its personnel. About 52 per cent of our total number of branches were opened during the last four years. This rapid expansion of branches has created a problem of inadequately trained personnel at various levels. Therefore, we have to pay more attention to the planning and development of human resources of our

bank. I am glad to mention that the task of training our staff has been taken up in right earnest. During the year 1972 about 200 bank personnel at different levels, attended a wide variety of courses and seminars at different places.

I would like to assure you that every effort will be made to improve further the scope and quality of our services, not only through the opening of new branches and by offering new types of services but also by putting well-trained staff at the branches as well as at the Administrative Office.

OUR THANKS

I am immensely happy that my esteemed colleagues on the Board continued their unstinted co-operation and support throughout the year. I very sincerely thank all of them. My thanks are also due to the members of the Local Advisory Committees for their co-operation.

I must also thank the Special Officer, other Executives, Officers and the staff of the Bank for their continued loyalty and dedicated service.

I am extremely happy that we had another year of excellent industrial relations.

I am also very happy that our family of shareholders has grown further. I acknowledge with gratitude their confidence in me and my colleagues on the Board.

Thank you.

Note: This does not purport to be a record of the proceedings of the 41st Annual General Meeting of the Bank.

Triveni Sheet Glass

TRIVENI SHEET GLASS WORKS, Allahabad, promoted by D N Agrawal proposes to enter the capital market shortly with a public issue of 6.30 lakhs equity shares of Rs 10 each at par which are all underwritten by financial institutions. The proceeds of the issue will be utilised, for financing partly the company's Rs 2.47 crore project being set up at Iradatganj, Uttar Pradesh, for manufacture of 5 million sq metres per annum of sheet glass calculated on 2mm thickness by PPG process. This process is the only vertical process in which no foreign object or equipment comes in contact with the glass at the point of formation, for which the finished sheet glass has a lustrous-fire polished surface on both sides free from waves and distortions. The principal raw

materials for manufacture of sheet glass are silica sand, limestone, dolomite, feldspar, soda ash and sodium sulphate which are all available indigenously and most of them are in abundance within 250 km from the factory site. About 60 per cent of the company's total production, it is estimated, will be utilised by Hindustan Safety Glass Works and other companies and firms now controlled by D N Agrawal. The total capital outlay of Rs 2.47 crores will be met by share capital already subscribed (Rs 37 lakhs), proposed issue (Rs 63 lakhs), foreign currency loan from ICICI (Rs 36.70 lakhs), rupee loan from IFC (Rs 40 lakhs), from IDBI (Rs 40.30 lakhs), from LIC (Rs 25 lakhs) and from UP Financial Corporation (Rs 5 lakhs).

CURRENT STATISTICS

Capacity and Production of Industries, 1971 and 1972

S No	Name of the Industry	Accounting Units	1971			1972			Remarks
			No of Units	Installed Capacity	Actual Production	No of Units	Installed Capacity	Actual Production	
1	2	3	4	5	6	7	8	9	10
		Miscellaneous		Chemicals					
1	Nitric acid (industrial use)	Tonnes	27	75,464	69,109	26	1,14,714	74,000	
2	Phosphoric acid (industrial use)	"	15	13,700	17,660	10	12,640	20,000	
3	Chloro sulphonic acid	"	3	13,000	7,380	3	13,000	13,000	
4	Phosphorous	"	2	5,000	604	2	5,000	1,000	
5	Alum	"	7	5,780	370	4	1,790	Nil	
6	Aluminium sulphate (iron free)	"	9	11,600	3,988	9	11,650	4,000	
7	Alumina ferric	"	14	1,29,100	1,18,279	14	1,29,100	1,20,000	
8	Bichromates	"	4	8,040	7,490	4	8,040	8,000	
9	Ammonium nitrate (explosive grade)	"	1	18,000	16,519	1	18,000	17,000	
10	Butyl alcohol	"	4	14,250	5,451	4	16,250	6,500	
11	Butyl acetate	"	4	7,230	3,096	4	7,230	3,000	
12	Formic acid	"	—	—	—	2	1,500	650	Adjusted to demand
13	Monochloroacetic acid	"	2	2,050	2,542	2	2,050	2,800	
14	Potassium chlorate	"	3	5,574	5,634	3	3	5,800	
15	Calcium carbonate	"	4	16,620	13,827	4	16,520	14,000	
16	Hydrogen peroxide	"	2	4,550	3,221	2	4,550	3,300	
17	Synthetic cryolite	"	2	4,790	3,188	4	4,830	3,500	
18	Aluminium fluoride	"	2	2,490	2,372	2	2,490	3,000	
19	Borax	"	1	17,000	10,164	1	17,000	1,100	
20	Boric acid	"	1	3,000	2,295	1	3,000	2,300	
21	Fluorocarbon refrigerant gases	"	2	2,700	1,047	2	2,700	1,100	
22	Sodium perborate	"	1	625	567	1	625	700	
23	Sodium silico fluoride	"	3	524	401	*4	*524	410	
24	Calcium carbide	"	5	69,500	69,516	5	69,500	47,200	2240 69600
25	Acetylene black	"	1	900	474	1	900	500	
26	Formaldehyde	"	5	46,800	24,783	6	49,200	33,000	
27	Furfural	"	1	1,500	22	1	1,500	NA	
28	Formic acid	"	—	—	—	2	1,500	650	
29	Hexamine	"	2	900	262	2	900	600	
30	Monochloroacetic acid	"	2	2,050	2,542	2	2,050	2,800	
31	Methyl isobutyl ketone	"	1	3,700	1,279	1	3,700	1,200	
32	Meta aninophenal	"	1	750	100	1	750	300	
33	Pentaerythritol	"	1	1,200	308	1	1,200	600	
34	Rubber chemicals	"	2	4,670	4,189	2	4,670	4,600	
35	Sodium hydrosulphite	"	3	9,288	5,869	4	12,288	7,500	
36	Sodium sulphonylate for maldehyde	"	1	1,800	125	1	1,800	130	
37	Oxygen gas	Th M3	52	71753.0	54137.4	55**	74413.0	59,000	
38	DA gas	"	35	11499.0	6222.1	36†	12537.0	6,400	
39	Argon gas	"	3	354.0	229.5	4††	460.0	300	
40	Hydrogen	"	5	1437.0	1001.6	5*	1437.0	1,000	
41	Nitrogen	"	20	21604.0	11262.9	20	21604.0	11,400	
42	Nit oxide	Mil Lit	3	300.0	239.5	3	300.0	240	
43	Co-2	Tonnes	24	17958.0	10473.3	24	17958.0	10,500	

* One of the units of Adarsh Chemicals and Fertilisers, Surat, is licensed for production of 360 tonnes of synthetic cryolite sodium silico fluoride. This capacity has already been accounted for under cryolite.
 ** Madras Oxygen and Acetylene, Madras, and the Hyderabad and Bangalore units of Asiatic Oxygen, have gone into production.
 † The above units have also started production of DA gas. The capacities installed are 288.0, 375.0 and 375.0 Ther. M3 per annum respectively.
 †† Hindustan Gas, Calcutta, has installed capacity of 106.0 Th M3 per annum.

(To be Concluded)

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1972:	59.6 lakhs	36.0 lakhs	3600.0 lakhs	184

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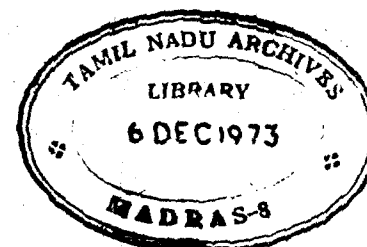
WEEKLY

A Sameeksha Trust Publication

Rs 1.50

Vol VIII No 18

May 5, 1973



P
R.R. NO. 1715/73.

PLANNING COMMISSION: DRAWN AND QUARTERED

GILT OF NEW TECHNOLOGY WEARING OFF

POSTSCRIPT TO MY LAI

POLITICAL ECONOMY OF 'GARIBI HATAO'

PROJECT EVALUATION: THE UNIDO GUIDELINES

NO HOPE FOR MISA DETENUS

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ECONOMIC AND POLITICAL WEEKLY

Founder-Editor: Sachin Chaudhuri

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ECONOMIC AND POLITICAL WEEKLY

Skylark 284 Frere Road Bombay 400 001

Phones 266072, 266073, 260192

Grams Econweekly

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No Landmark, This

IN well-bred parliamentary democracies the judiciary, like Caesar's wife, is expected to be above suspicion — indeed above everything except discussion of the most polite sort. But accidents happen even in societies of impeccable pedigrees. One seems to have just happened in our own. In the aftermath of the government's decision to supersede three judges of the Supreme Court in appointing the new Chief Justice, some of the things which have been said by those on either side of the argument will hardly enhance the dignity and majesty of the judiciary.

One of the three judges who have resigned from the Supreme Court in protest against their supersession has accused the Prime Minister of having worked for his removal from the Court. The Prime Minister, he told a press conference on Tuesday, had been "greatly piqued" by his judgment in her election appeal and, ever since, her "agents" had been busy trying to build up a case against him. His speeches in Parliament were scrutinised, possibly his telephone was bugged, and a watch was kept on his movements. Turning to the effect of the government's actions on the "independence of the judiciary", the learned judge disclosed that "we have already several judges who take pride in notifying to the government their qualifications for being considered as 'committed judges'". The number of such judges was bound to increase in the years to come, he added.

If this be an insider's view of the judiciary and of the level at which relations are conducted between the executive and the judiciary, then the picture that emerges must shock those who have taken their Jennings and Bryce to heart. They may, nevertheless, take some satisfaction from the manner in which the legal profession throughout the country has responded to the government's action. With but few exceptions, members of the bar — from former attorney-generals and over-worked doyens of the profession to briefless practitioners in mofussil courts — appear to be agreed that grievous damage has been done to the status of the judiciary and, through that, to the very basis of the political system, by the manner of appointment of the new Chief Justice of the Supreme Court. However, even the protest of the profession has been rather less than full-blooded. For, apart from the three affected judges, not a single judge of the Supreme Court or any of the High Courts, not to mention any one from the lower rungs of the judiciary, has felt moved to press the point by resigning his job. Resignations by those directly affected — they do it all the time in the army — are not very effective in establishing high moral principles.

When it is all over, one may be sure, everyone on both sides will agree that it was a great fight for a noble cause. As the Minister for Steel, Mohan Kumaramangalam, told the Lok Sabha on Wednesday, the appointment of the new Chief Justice "will be a landmark in our judicial history in that it has opened up a debate on the rightness or otherwise of the convention [of appointment by seniority] and uncovered the reasons which must move the government in making appointments of this kind".

A wholly appropriate backdrop to this "landmark in our judicial history" and to the great "debate" raging over it is to be found in the judgment of the Madras High Court delivered last month in what has come to be labelled, with characteristic official ambiguity, the Keezhavenmani Arson Case. It would be no great surprise if most of the protagonists in the current great "debate" have only faint recollections, if even that, of the brutal mass murder which formed the subject of the judgment. For, it happened a long while ago, in December 1968, and even at that time it had not attracted much attention. True, 42 women, children and men had been burnt to death and almost an entire village in the Tanjore district of Tamil Nadu had been turned to ashes. But the victims were untouchable landless labourers and it was a dirty, filthy Harijan village. And those who had done the burning and the killing had been upper caste landlords. While the proportions may have been somewhat out of the ordinary, as a variety of crime it belonged to a very common genre indeed. What is more, as the judges of the Madras High Court appear to have taken pains to emphasise, the Harijan agricultural labourers had formed an agricultural workers' association under the aegis of the CPI(M) and had been putting forward demands for higher wages. Surely, those who are afflicted with such madness have been already marked out to be destroyed by the gods?

Nevertheless the state government had to go through the motions of bringing the culprits to book. So 23 landlords were charged before the Sessions Judge, East Thanjavur, who in November 1970 acquitted 15 of them and sentenced the other eight to prison sentences ranging from one year to 10 years — for burning to death 42 women, children and men. And now the High Court has set at liberty the eight convicted by the lower court. So, in sum, not a single person is being punished for 42 murders. One may well conclude that, since no human being has been found culpable, the Harijans of Keezhavenmani were indeed destroyed by the gods.

The judges of the Madras High Court have opined that the "intrinsic infirmities" of the evidence presented by the prosecution made it impossible for them to identify and punish the guilty. But this absolves nobody. This had been no sneaking crime, but mass murder committed openly. It was for the Tamil Nadu government to collect the evidence. This it failed to do, according to the judges. Of course, it would be calumny to suggest that this failure might have had a great deal to do with the fact that the victims of the crime had been Harijan landless labourers and their murderers upper caste landlords. After all, one must not raise questions about the class and social prejudices of the bureaucracy — except when it fails to do a particular minister's private bidding or to serve some political purpose of the ruling party. In cases such as Keezhavenmani, involving Harijans and upper caste men, landless labourers and landlords, the objectivity of the bureaucracy is to be taken for granted.

The judges of the Madras High Court have also expressed the opinion that those who set fire to the huts had no knowledge that 42 persons were inside one of the huts. It could be taken, therefore, that they had no intention of killing these people. It is possible that this conclusion indeed emerges from the evidence laid by the Tamil Nadu government before the Court, but it goes completely contrary to numerous contemporary accounts of the crime. One such account had said:

"It happened at night. The landowners came and burned twenty-eight of the houses to the ground. They locked up forty-eight casteless, mostly women and children, in one hut. They frightened them and drove them into the hut where they locked them in. Then they set fire to the building — a small hut.

"We got there in the morning and saw all the burned bodies. We came at three o'clock in the morning. All the bodies were there burnt to ashes... There lay all the bodies, forty-four bodies..."

"Fourteen were women. They were from twelve to twenty-four years old. There were only three men, all the others were children... One woman named Papamma had her one-year old child clutched in her arms; she was holding her child when she met her death. Mother and child. We couldn't separate the two bodies, they were clutching each other so tightly.

"When we investigated the case we discovered that the owners — three hundred of them — had marched to the village from the surrounding area. They were armed with guns, bird rifles and similar weapons..."

"No one lives in the village any more. The buildings are burnt out. It looks like a haunted place..."

The judges are astonished by the fact that all the 23 accused in the case should be landlords. To quote from a newspaper report of the judgment:

"Most of them were rich men owning vast extents of land and Gopala-krishna Naidu possessed a car. However much the mirasdars might have been anxious to wreak vengeance upon the CPM kisans, it was difficult to believe that they themselves walked bodily to the scene and set fire to the houses, unaided by any of their servants. Rich men, who had vast vested interests, were more likely to play for their safety than the desperate and hungry labourers. One would expect the mirasdars to have kept themselves in the background and sent their hired henchmen to commit the offence, which according to the prosecution, the mirasdars had personally committed."

Mirasdars could not have set fire to the huts. Why? Because they were "rich men owning vast extents of land." No further proof is apparently considered necessary.

In his impassioned defence of the appointment of the new Chief Justice of the Supreme Court, Kumaramangalam defended the government's right to look into the "philosophy and outlook of a judge in deciding whether he should or should not lead the Supreme Court". But as with the police and the civil service, the "philosophy and outlook" of judges become relevant only when some action of theirs discomfits the government as did, for instance, the Supreme Court's decisions in the bank nationalisation and privy purses cases. But it is definitely not polite or proper to look into judges' "philosophy and outlook" in situations like the Keezhavenmani murders.

Concluding their judgment the judges of the Madras High Court expressed the hope that "the dependents of those who had lost their lives in the holocaust [what a neutral word!] would be generously compensated by the government". That, after all, is the nub of the matter. The Harijans of Keezhavenmani had been killed because they had asked for higher wages. So give their dependents some money. And be a little generous if you can. That is all there is to it. This, clearly, is no "landmark in our judicial history". There are no noble causes involved, nor any great issues. There need be no debate in parliament; nobody need resign; and the work of not a single court need be disturbed for even a minute.

Exports

Illusion and Reality

THE latest figures released by the DGCIS indicate that exports in the 11 months of 1972-73 amounted to Rs 1,703 crores, reflecting a phenomenal annual growth rate of about 21 per cent. Though exports in March 1973 may not be in keeping with the trend noted in the first 11 months of the year, the overall growth of exports in 1972-73 would be around 20 per cent. A rate of growth of this order has never been achieved in the past, except perhaps in 1951-52 when there was an export boom, primarily on account of the Korean War. In the recent past, exports rose by about 13 per cent in 1968-69, largely due to the fact that exports in the previous year had not yet recovered from the unfavourable effects of the adverse weather conditions in the preceding two years. Viewed in this context and given the ever-growing credibility gap in respect of the DGCIS' trade figures, it is necessary to have a close look at the 21 per cent increase in exports claimed upto February 1973.

Assessment of the export performance last year would be difficult in the absence of full details about commodity-wise and country-wise export data. All the same, there is evidence to show that the export performance of a number of commodities was quite impressive in 1972-73. Exports of marine products, for instance, increased during the first 11 months of the last year by 9.5 per cent in volume (to 35,218 tonnes) and by about 37 per cent in value (to Rs 53.8 crores). Export of cashew kernels during 1972-73 as a whole, touched a new high of

Rs 68.5 crores, reflecting a nearly 12 per cent increase over the year. Exports of leather and leather manufactures in 1972-73 are estimated at Rs 81.7 crores as against Rs 39.2 crores in the preceding year. Similarly, exports of a number of other commodities like tobacco, oilcakes and cotton textiles increased appreciably last year.

Nevertheless, account has to be taken of certain unusual factors that helped to boost exports last year. The prolonged currency crisis leading to a realignment of the major currencies and the subsequent floating of the sterling, to which the rupee has been linked, have all resulted in an effective devaluation of the rupee against a large number of important currencies. Taking into account the directional pattern of India's exports, the effective weighted depreciation in the parity of the rupee may work out to about 6-7 per cent. Technically, the Indian rupee does not stand devalued *vis-a-vis* the East European countries, as the invoices are all expressed in rupees, but our exporters would naturally quote higher rupee prices to East European buyers as they do in respect of exports directed to other regions. There is evidence enough to show that unit values of exports in terms of rupees have increased, but foreign exchange earnings from exports would be lower to the extent of the depreciation of the rupee. Similarly, even if our earnings from exports to Eastern Europe have increased, the purchasing power of these earnings would be less since in respect of their exports to India the East European suppliers invariably make upward adjustments in invoice values quoted in rupees. Thus, it is necessary to deflate the figure of export earnings in 1972-73 appropriately so as to arrive at a figure of "effective foreign exchange earnings" through exports. Even on a conservative basis, last year's export earnings would have to be adjusted downward by about 5 per cent, or by about Rs 80 crores in respect of the export figure of Rs 1,703 crores for the 11 months.

The DGCIS has recorded exports to Bangladesh at Rs 36 crores upto September 1972. This figure, it is stated, excludes "substantial exports to Bangladesh" as these were not recorded by the customs authorities. By now it is well known that the DGCIS was asked by the Ministry of Foreign Trade to include all aid-financed exports to Bangladesh. This is certainly the correct procedure as far as recording of ex-

port statistics is concerned. But since these exports cannot be regarded as normal, it is necessary to have an idea of their magnitude so as to get a correct picture of the actual export performance last year. According to the Reserve Bank's Report on Currency and Finance for 1971-72, out of total aid authorisations to Bangladesh of Rs 164 crores upto end-March 1972, loans were Rs 33.6 crores and grants Rs 130.6 crores. By end of March 1972 Bangladesh had utilised Rs 35 crores worth of assistance. The Central Government Budget for 1973-74 indicates a higher loans figure of Rs 80 crores for 1972-73, suggesting that additional loans were sanctioned to Bangladesh subsequently. From the available information it appears that by now Bangladesh has drawn upon these loans and grants substantially and that exports to Bangladesh on account of these during 1972-73 are likely to be over Rs 150 crores. Of the total assistance given to Bangladesh, Rs 130 crores being in the form of outright grants, at least an equivalent amount of exports should be excluded in order to arrive at a meaningful figure of our exports last year.

Finally, it is also necessary to take into account the built-in upward bias in exports figures on account of short and shut-out shipments which are reported to the DGCIS with a considerable time-lag. It is estimated that the upward bias in the export data compiled on the basis of provisional shipping bills is over 3 per cent. It may be recalled that the DGCIS had to deflate its export figures by about Rs 40 crores for April-December 1971, suggesting thereby that the upward bias on account of short and shut-out shipments was about 4 per cent. Assuming that subsequently the DGCIS machinery got better adjusted to the new system of data compilation and reduced errors emanating from wrong adjustments on account of short and shut-out shipments, the likely upward bias in the exports figure for 1972-73 would be at least around 2 per cent. This would call for deflating the exports of the first eleven months of 1972-73 by at least Rs 25-30 crores.

If all the three factors, *viz.*, effective depreciation of the rupee, aid-financed exports to Bangladesh and the upward bias in export statistics on account of short and shut-out shipments, are taken into account, the figure of exports for the first eleven months of 1972-73 would have to be adjusted downwards

by about Rs 220-240 crores. This gives us a real increase in exports of Rs 60-65 crores, reflecting an increase of about 3 per cent over the corresponding period of 1971-72. It would be altogether more prudent to base our export planning for the future on this more modest figure.

Food Situation

Trade to the Rescue

AFTER Nagpur, Nasik, Malegaon and Sinnar, this week it was Tumsar in Bhandara district. Four more, including two policemen, have been added to the five killed in Sinnar. Though the bandh in Tumsar had been organised by the Mahavidarbha Rajya Sangharsha Samiti, the mob which attacked the houses of the local District Congress Committee president and another party notable was demanding food mainly. Against this background it may appear perverse to suggest that the wonder is that food riots have not been more widespread in Maharashtra than they have been. Certainly, if one takes seriously the state government's own figures of food supply and demand, of the state's requirements of food from the Central stocks and what it has actually got in the last few months, no other conclusion is possible.

Maharashtra is, of course, a food-grains deficit state and the state government has estimated its requirement out of Central stocks at 3.5 lakh tonnes per month. What it has been getting is far less. The quota for April, for instance, was 80,000 tonnes of wheat, 70,000 tonnes of coarse grains and 18,000 tonnes of rice — or 1.68 lakh tonnes in all. Within the state, since as far back as 1966 the two main crops, jowar and rice, have been subject to monopoly procurement which has been recently extended to wheat as well. Thus private trade on any significant scale in foodgrains produced within the state is ruled out. In other words, the bulk of foodgrain supplies in the state have to come from the government — either out of supplies from the Centre or out of procurement within the state. We have already indicated how inadequate supplies from the Centre have been recently. And procurement has been paltry this year, for which the state government has blamed the drought. Thus, the government was able to procure only 92,000 tonnes of paddy and 32,000 tonnes of jowar and, till the middle of April, 6,000 tonnes of wheat.

It is against this picture of avail-

ability of foodgrains for public distribution that the actual food situation in the state appears less dismal than it might have been. Not that it is not bad enough. The per capita foodgrain quota distributed through the fair price shops has been progressively reduced and the supply of foodgrains to these fair price shops has not been enough even to meet the reduced quotas. Outside of the fair price shops, prices have risen sky-high, with jowar selling at two to two-and-a-half times the official issue price of wheat. Yet even in the worst drought-affected districts of Sholapur, Osmanabad, Bhair, Aurangabad, Ahmednagar, Poona, Sangli and Satara, the food situation is less desperate than the state of availability of foodgrains with the government would suggest.

The answer to this lies in that, first, while on paper the only foodgrains coming into the state from outside are on Central government to state government account in fact there has been large-scale movement of foodgrains into the state on private account; and, second, while all the major foodgrains are supposed to be subject to monopoly procurement, private trade flourishes almost without let or hindrance in foodgrains produced within the state. And what is significant is that faced with a worsening food situation, the state government has moved in the direction of actually widening the scope for private trade. At the district level, the authorities have for long turned a blind eye to the operations of private trade on the argument that some foodgrains (in the 'open market') are better than none at all (in the fair price shops). Now the state government itself has moved to indirectly bless private trade. On April 26 the government announced its decision to remove all restrictions on the movement and sale of jowar, rice and wheat all over the state except in Bombay city, virtually dismantling its monopoly procurement scheme for the three crops. Under the new policy, farmers, co-operative societies, undefined 'associations', recognised dealers and "other suitable institutions" are permitted to move and sell jowar and wheat in market yards or weekly bazaars within "limits" to be fixed by the district collectors. The officials will also not now insist on production of levy certificates. The state government has also withdrawn, till the end of September, the administrative charges levied on foodgrains imported from other states. Finally, it has decided to grant licences for importing grains from other states "according to the rules in force".

The invitation to private traders could not have been more open — to move foodgrains freely within the state and to move in foodgrains from outside the state to the extent they can. What will remain, at the end of all this, of the take-over of wholesale trade in foodgrains is a subject which seems to concern the state government the least.

The concepts underlying the take-over of foodgrains trade have received some other severe knocks as well. Last Monday the political affairs committee of the Union Cabinet decided to increase the foodgrains allotment to Maharashtra to 2.5 lakh tonnes per month. Additionally, Maharashtra is to be permitted to import wheat from Punjab and Haryana "in consultation with the respective state governments". Actually, the Chief Ministers of Punjab and Haryana are reported to have themselves offered to supply wheat to Maharashtra and asked the Maharashtra government to send teams of officials for negotiating the deals. Even Kamla-Pathi Tripathi, the UP Chief Minister, is said to have told V P Naik that he would supply bajra and other coarse grains to Maharashtra on government account. Has anyone considered what the implications of such deals among state governments are for the success of procurement by central government agencies and for the Centre's ability to allocate the surplus foodgrains of the surplus states among the deficit states?

Watergate

Postscript to My Lai

THE beatification of Richard Nixon, that was progressing in recent years, has suddenly received a jolt. The scourge of Watergate is threatening to assume a dimension as demonic as that of the scandal of the Teapot Dome which irretrievably ruined another Republican President in the 1920s. Richard Nixon the lofty one, whose brilliant exploits in foreign affairs made him an easy romper home in the re-election battle last year, is back at square one, once more the Tricky Dick of the Herblock cartoons. The revelations about the shenanigans indulged in by the Republican party's hired espionage agents could form the ingredients of a 'b' grade Hollywood thriller. There is the more than usual quota of crooks, plied with secret money from mysterious and not-so-mysterious sources and not averse to taking recourse to the shadiest of means, including the deployment of professional goons, to do harm to the Democratic party. Who could have

thought even a few weeks ago that these sources were near enough to the White House itself? Bit by bit, as the curtain of hush-hush is lifted, it is becoming obvious that Nixon's close associates, including his very intimate personal staff, had a direct hand in organising the cloak-and-dagger operations; even the leading lights of the FBI had apparently chipped in to suppress evidence which could have incriminated the President's entourage in the Watergate episode. Nixon's earlier confidence that he could brazen his way through the affair by feigning shocked innocence has been greatly shaken by the tenacity with which both the Press and the Congressional Investigation Committee have continued to dig into the anatomy of the murky happenings.

It must be an immense tragedy for a nation who have to take it as the datum-line that their first citizen is far from being as clean as a hound's tooth. Those liberals who always had entertained reservations about Richard Nixon would now consider themselves vindicated. But is not Watergate nonetheless in the image of the United States as it has turned out to be in this, the eighth decade of the century? Moral principles are indivisible. In case the furtherance of the self is *uber alles*, and no crime—including the indiscriminate slaughter of defenceless men, women and children in distant lands—is to be flinched from for its sake, why demur if the President of the nation indulges in the most unscrupulous methods to advance his personal cause? Over a period of time, old-fashioned notions about good or bad have gradually been excluded from the corpus of American morality. It is the criterion of competence—the degree of efficiency to reach a set goal, however obnoxious it might be—that decides the preference function. In the matter of Vietnam too, the so-called radical upsurge in the US in the late 1960s was sustained—who can now doubt—as much by decent emotions as by selfish motivations; the spectre of American boys—their own boys—getting killed in large numbers was the greatest civiliser. Once the boys were back home, the majority of Americans perhaps could not care less about the actual denouement of the war, or how it was proposed to be ended. Few in the United States, for example, would even today be persuaded to admit that the Swedish Prime Minister was not far off in asserting that what the American war machine has done to Vietnam is comparable to Hitler's

pogroms against the Jews. Those who are veterans in organising My Lai and similar other episodes would hardly ever feel bashful at such a simple proposition as that of installing hidden microphones in the private offices of one's opponents.

Company Affairs

Unserious Intervention

A Correspondent writes:

THE question of the objectives and purposes of intervention by public financial institutions in the affairs of companies had become a subject of keen discussion some two years ago in the context of developments relating to the National Rayon Corporation and Synthetics and Chemicals. However, shareholders of these companies are still in the dark as to what has happened to the promises of radical reorganisation of these companies on the basis of the reports of the experts who were appointed to enquire into their management and working. Perhaps the annual general meetings, to be held shortly, will shed light on this question.

In the meanwhile, the Kapadias appear to have stepped up their efforts to capture the management of NRC. They are now thwarted only by a narrow majority of 6 to 5 on the Board of Directors. They have succeeded in getting the Articles of Association altered to provide for the appointment of a Managing Director, though they have so far failed to get one of their nominees appointed Managing Director. The day-to-day management of the company is being carried on by committees on which the Kapadias have a majority. However, they are unable to have their way because of not having a majority on the Board of Directors. Efforts are, therefore, afoot to get the Board of Directors enlarged. Moreover, the terms of the two directors appointed by the government under Section 408 of the Companies Act are due to expire on June 30 and the Kapadias are reported to be hopeful that the government will not renew their appointment. This expectation may be partly based on the transfer of the former Minister for Company Affairs, Raghunath Reddy, to the Labour Ministry in the last reshuffle of the Council of Ministers.

There are two other pertinent facts which need to be taken note of here. First, Sudhir Kapadia, son of Nimji-bhai Kapadia, a Director of NRC, has

become a Director of Maruti Ltd. Second, the Company Affairs Minister disclosed in the Rajya Sabha on Monday last that on January 3, 1972, a public limited company, Filtrona, had invested in 24,000 equity shares of Maruti of Rs 10 each. This investment was more than 10 per cent of Maruti's total subscribed capital of 200,070 shares, thereby contravening Section 372 of the Companies Act. But, as the Minister put it, this contravention had "ended" on March 1, 1972, when Maruti issued 46,000 additional shares — 6,070 more than required to bring down Filtrona's share to 10 per cent. The more significant fact, however, is that Filtrona is a company of the Kapadia group. Since the government's decision regarding the two nominated directors would be crucial, these developments, it is felt, strengthen Kapadias' hands in their bid to wrest complete control of NRC.

As for Synthetics and Chemicals, in spite of the promise given to the shareholders at the last annual general meeting by the Chairman, Tulsidas Kilachand, that the Board would take necessary action on the report of the Parekh Committee and inform the shareholders at the earliest, nothing seems to have been done for a whole year. The report of the Committee is said to have been accepted by the Board of Directors *in toto*, but the necessary follow-up action has not yet been taken. The LIC Director on the Board of Synthetics has gone abroad on an assignment and no one has yet been appointed by the LIC in his place.

The main recommendation of the Parekh Committee is reported to be the appointment of a full-time chief executive. It has been reported that three persons who were approached by the company had declined the appointment. Nevertheless, it is difficult to believe that it would be difficult to find a chief executive for Synthetics and Chemicals. The truth seems to be that, the Parekh Committee report notwithstanding, the present management does not want to relinquish its hold over the company.

Thus in the case of these two companies, intervention by the financial institutions has not been very effective from the point of view of the common shareholder. The reports of experts continue to be considered confidential and have not been released to shareholders on whose behalf the experts had been appointed to make their reports. It is clear that

if financial institutions like the LIC, ICICI, Unit Trust and the banks are to play an effective role in safeguarding the interests of the common shareholders, instead of dealing with the managements behind closed doors, they should deal with them openly at the annual general meetings, taking their stand publicly along with the other shareholders. Ordinary shareholders have no way of finding out what goes on in most companies. There are few independent directors on their boards; most directors come from what has been aptly called, the 'charmed circle'. Last year, the LIC took a commendable step by asking the chairman of Kohinoor Mills — incidentally, another Kapadia group company — to read its letter at the annual general meeting. Fortunately, the chairman complied with the request. (Most company chairmen ignore letters written by shareholders and do not even care to acknowledge them.) The LIC's letter criticised the management of the company and demanded the replacement of the existing management by a new one. Even here it would have been more effective if the representative of the LIC had been present at the meeting and had spoken, pointing out all the facts of mismanagement. Of course, there may be occasions when a word in private with the management might serve the purpose better than public exposure. But so far, behind the scenes action by institutional shareholders has not been very effective. NRC and Synthetics and Chemicals are cases in point.

Financial journals also can play a vital role in the fight against mismanagement of companies. Unfortunately, however, the quality of reporting of annual general meetings in our country is poor. Newspapers are content with publishing extracts from the statements of company chairmen or their remarks at the annual general meetings and rarely attempt to assess the validity of, or even refer to, points raised or criticism made by shareholders. Again, one finds hardly any critical analysis of Balance Sheets and Profit and Loss Accounts of companies in the newspapers. Such analysis would be of immense help to ordinary shareholders, most of whom do not understand company accounts. Financial journalism of the kind to be found in countries like USA and UK, which plays a significant role in safeguarding the interests of the small shareholders, has yet to develop in our country.

Calcutta Diary

A M

THE number of applicants registered with the different employment exchanges in West Bengal was 811,665 in 1972 as against 555,835 in the previous year. This, the arithmetic says, implies an over-the-year increase of 46 per cent. The rise over the year in the number of applicants who can be described as educated unemployed is even more frightening, something of the order of 75 per cent. It is anybody's guess whether there is any close correspondence between the incidence of registrations with the employment exchanges and the actual incidence of unemployment. Not all who are unemployed register, and not all who register are necessarily unemployed; they may simply be looking for a superior, alternative opportunity. A spurt of faith in the efficacy of placing one's name in the live register to secure a job can also lead to a sudden increase in registrations in a particular year. But these caveats all belong to the genre of pettifogging foot-notes. One has merely to look around, and check the data on fresh industrial investments, maintenance outlays, supply of raw materials, the power situation, and the rush of new entrants in the labour market. The rate of economic and industrial growth being what it is, a near-fifty per cent increase in the number of the unemployed in the course of 1972 does not appear to be an improbable estimate. That to some it may be an unpalatable one is neither here nor there.

The fact of rising unemployment has been compounded by the fact of rising prices. The general index of retail prices must have increased by more than 15 per cent over the year. If you concentrate on the major items in the 'consumption basket' of the working class and the lower middle class, the rise in retail prices has been anywhere between 20 to 40 per cent, and let no minister ensconced in the ten square miles of New Delhi dare to contradict this statement. The unemployed tend to park themselves with their friends and relations belonging to these lower income groups, and latter have certainly not been compensated, in terms of money wages, by anywhere near the extent of the price rise. Distress, and discontent, are thus spreading with every day.

But a period of discontent is also a period of opportunism. The principal factors underlying the mounting hardship of the people are the inability — or reluctance, whichever way you want

to put it — on the part of the government to discipline prices, and economic stagnation, for which too a fair share of the responsibility devolves on the authorities, ours being claimed to be a planned economy. These are inconvenient categories of truth. Recourse is therefore taken to diversionary games. One such game is currently on in West Bengal. Suddenly, almost all the local newspapers have started a collective braying; they demand a compulsory employment quota for the so-called 'sons of the soil' in the factories and establishments located in the state. The newspapers are not alone; they have been joined by the student and youth wings of the ruling party. It is an unabashed exhibition of parochialism at its basest. Statistics are being bandied about to prove that, in both industry and trade, the 'sons of the soil' constitute a minority among the employees. Only 44 per cent of all industrial employees in the state are reported to be Bengalis: in cotton textiles the corresponding proportion is 47 per cent in jute, as little as 25 per cent, in iron and steel, 40 per cent; in glass works, 40 per cent; in paper, 37 per cent. In non-factory and commercial establishments, the 'sons of the soil' constitute only 42 per cent of the total number of employees, that too made up mostly of clerks and typists. In the administrative categories, it is pointed out, Bengalis hold only 5.7 per cent of the total posts; in the technical and sales categories, their proportions are 10.6 per cent and 4.8 per cent, respectively, of the total. Of cars and lorry drivers engaged by commercial establishments, nearly 99 per cent are migrants from other states.

Each of these tit-bits of statistics may be correct, but the interpretation is placed upon them is what matters. For historical reasons, Bengal has traditionally drawn on the supply of migrant labour from other States, especially from the States in the eastern region. This has been as much on account of an initial reluctance on the part of large groups of Bengalis to enter some occupations and trades as on account of the abysmally depressed economic conditions in, for example, the countryside of Orissa, Bihar and eastern Uttar Pradesh. In the upper echelons of commercial jobs, Bengalis may have perhaps found entry somewhat difficult because of their generic notoriety as 'political hotheads'. But the major reason for the aggravation of the pro-

blem of unemployment in the state is certainly the prolonged state of industrial recession around these parts. The coal-steel-transport equipment-heavy engineering complex of industries continues to be in doldrums, there has been hardly any expansion in recent years in public or private investments, and the government's pricing policies for intermediate articles have affected severely the momentum of industrial and commercial growth in the eastern states, particularly West Bengal.

Where industry and commerce are stagnating, employment opportunities cannot grow fast either, and picking on migrant labour cannot alter the objective reality. The nefarious game is nonetheless on. If you are unable to provide job, then, the near best thing, you try to channelise the wrath of the unemployed on those who are with jobs. Apparently a kind of division of labour has been decided upon: the baser elements in the ruling party take the low road and the leaders at the top pretend to stick to the high road. While the prominent ones talk of national purpose and the need to streamline industrial policy and the imperativeness of raising the rate of savings, investment and all that, the lumpen elements go about shouting slogans which insist on the speedy replacement of 'outsiders' by 'sons of the soil'. That similar demands have from time to time been voiced in the neighbouring states is considered to be a good enough ground for raising the sectarian spectre here. Even if it were possible to supplant some migrants by 'sons of the soil' at the margin, it would only scratch the surface of the problem; without a thorough overhaul of the industrial capital stock in the state, calling in turn for a several-fold increase in aggregate investment, the burden of unemployment will remain what it is. But these considerations are not mentioned; the appeal is invariably to the crudest emotion. It is as if once you concentrate on the poor rickshaw-puller from Balasore, or the textile spinner from Muzaffarpur or, the lathe operator from Azamgarh, and try to snatch the bread away from his mouth, that by itself would lead to the redemption of Bengali youth.

Not one word of admonition has flown from the direction of New Delhi for those who are indulging in this dangerous game. When the flesh of the flesh misbehave, you turn the other way. And certain groups of industrialists — including even those who are from outside this state —, are not, one suspects averse to such a parochial movement gaining in strength. There is no lack of rationale in their calculus: they can, after a point, ask the government to

relax the provisions of the Industrial Development and Regulations Act and the Monopoly and Restrictive Trade Practices Act, for only then, it would be argued, they could create more jobs for the 'sons of the soil'. This would be putting economic theory truly on its head, for monopolies restrict output and employment. But opportunism is as opportunism does.

How shall one describe this cynicism which deliberately, and systematically, slaughters truth for the sake of narrow, short-term party interests? The problem of generating more income and employment for the youth of West Bengal cannot be dissociated from that of the millions who live in horrendously wretched conditions in Orissa, Bihar, Uttar Pradesh and other states. The strategy has to be a common strategy, and measures for employment creation in the region have to be integrated into one whole scheme. To provide relief to West Bengal and its youth, one must first create bases of intense economic activity right in Bihar, Uttar Pradesh and Orissa. It should be difficult to identify the districts and regions in these

states where distress is acute and where the largest flow of migration occurs. The solution to the problem of mass unemployment in West Bengal should be sought in concentrated programmes of economic development in these districts in the outlying states. If this fact is not recognised and a mindless agitation is mounted against the outsiders, the outcome is easy to foresee. The avaricious capitalist, coming from outside, who makes his pile in this state but remits it elsewhere, will go scot free. But, sooner or later, the righteous wrath of the 'sons of the soil' will come down upon the poor handcart puller from Orissa, the destitute jute worker from Bihar, the impoverished mason from Uttar Pradesh. Lynchings will become the order of the day, to be followed by counter-lynchings. A state of quasi-civil war will descend upon the areas with concentration of industrial workers and low-earning tradesmen. Meanwhile, though, the rate of capital formation will dip further and prices will keep merrily spurt-ing; prices, after all, are no respecter of the 'sons of the soil'.

CAPITAL VIEW

The 'Legal Situation'

Romesh Thapar

THE legal profession certainly shares many vital characteristics with the oldest profession in the world, but it has, surprisingly, managed to preserve for itself a position of exaggerated eminence. Something of this strange situation was highlighted by the over-reaction to the appointment of a new Chief Justice of the Supreme Court following the supersession of three of his senior colleagues. We are asked to shed tears over the rape of the judiciary and there are dire warnings about the arrival of "totalitarianism".

It is extraordinary that educated, articulate people like lawyers can so confuse themselves. It should be apparent to even the dullest free enterprising mind that the fantastically complex operation to consolidate democracy within an exploding population of 550 millions must inevitably have its impact on the judiciary which is called upon to interpret laws which are a radical departure from those we are accustomed to. The developing collision between Parliament and the Supreme Court was a reflection of the change taking place over the subcontinent.

Change is either carried out by a

controlled shaking up of existing structure or by revolutionary destruction of these structures. The shake-up at the Supreme Court was necessary. For twenty-five years, a *status quo* system prevailed. Even judges were appointed without much concern for the quality of selection. Obviously the Supreme Court could not remain aloof from the tidal currents building all around. Yet, this is precisely what so many legal luminaries, senile and not-so-senile, sought.

LEGAL RIGMAROLE

The total disarray within the Supreme Court was well illustrated by the eleven judgments delivered by the Full Bench on the recent constitutional amendments. A whole week has passed, but there is no clear idea in many quarters as to what finally was the judgment. Broadly, Parliament's right to amend has been established, but there is so much legal rigmarole in the judgments that the lawyers and solicitors can now look forward to a record harvest in fees from clients who will have no recourse but to test the judgments in various courts.

However, it is not these aspects of the "legal situation", if it may be so described, which attract attention. We are being given the impression that the superseded were outstanding legal minds. This is poppycock. Indeed, it is now that we must assert to get men of quality appointed as judges. Procedures for selection must come under review. Appointment should be for life, with salaries assured on retirement, to ensure real independence.

We are tired of senile old men giving us pompous lectures about the independence of the judiciary when we know that lobbying for jobs by judges is a feature, of the current scene. We are also cynical about the claim that only judges are fair-minded and should head committees of inquiry. Attitudes to courts and judges are undergoing profound changes. We can no longer jog along in the old grooves left behind by the Imperial British.

At this point, a word of advice to all the grasping lawyers who have at last found themselves a cause. They had better study the practices prevalent in other countries, even in the United Kingdom and the USA. Indira Gandhi, who has politically to manage this bundle of contradictions that is Bharat, has been more than patient. And she knows well enough that a Supreme Court determined to block the social transformations necessary to stabilise our society would merely spark a revolution. The gentlemen who are protesting do it for reasons other than the future of the rule of law.

Of course, this is not to suggest that there is no danger from the unscrupulous politician, and his kind seems to be on the increase. Even as judges become conscious of a new value system and the objectives arising from it — a vital consideration for a sprawling and developing continental federation — they have to be rigorously just in the interpretation of the new laws, for political gangsterism can also hide its true face behind all manner of deceptive slogans. For this reason, the selection of judges and their appointment for life is of paramount importance. The energy of the legal profession would have been better spent on these and related issues.

We await the appointment of the new judges to the Supreme Court. The exercise to locate the most outstanding professionals who understand the challenges before us is so limited that the scope for lobbying and fixing appointments is immense.

Commitment, alas, is often the badge of the charlatan. Indira Gandhi, using the powers vested in her, will be judged when the full picture of the reorganisation of the Supreme Court has been sketched. It should not be so difficult to find dispensers of justice who understand the change overtaking the subcontinent, and who are not manipulatable.

Meanwhile, the organised effort to smear those who "collaborate" — as also the pathetic campaign, to make the Sikris, the Shelats, the Hegdes and the Grovers into heroic figures — is very unhealthy. It will attract a counter-attack which might prove much more merciless, particularly with regard to certain rather inflated reputations in the legal profession. In

this context, the "legal advice" to the Prime Minister had better be above reproach. We certainly cannot take that for granted on the basis of past experience.

And, finally, one last comment. Do we really have to get so excited over the smart-sayings of Sam Bahadur who is now our one and only Field Marshal? Our MPs will have to be re-educated in England before they even begin to understand this one-man show we have let loose upon ourselves. Interestingly enough, everyone was busy not so long ago condemning V K Krishna Menon who ordered disciplinary action against Sammy Boy for "unpatriotic" statements while he was a serving officer!

April 30

COMPANIES

Prospering despite Minor Complaints

Hansavivek

CENTURY SPINNING has been given a 'letter of intent' for manufacture annually of 30,000 tonnes of chemical pulp, 20,000 tonnes of dissolving grade pulp, 10,000 tonnes of speciality pulp, and 30,000 tonnes of writing and printing paper, with the stipulation that a new company in the joint sector be formed to implement the project. Meanwhile, construction work of the company's cement project is going on. However, supply of equipment for the main cement manufacturing unit, by ACC Vickers Babcock, has been delayed. The plant is expected to go into production in early 1974. The joint venture project for a textile mill in Indonesia has made good progress. Initially, the project envisages a spinning unit of about 14,000 spindles. Century's participation is to be in the form of equity capital of about Rs 36 lakhs out of the total capital of the company of Rs 80 lakhs. The proposed body corporate is to be formed in Indonesia. The company's contribution to the capital will be in the shape of supply of plant, machinery and equipment from India.

Century's tyre record plant continues to work satisfactorily, but tyre record consumption has been adversely affected by labour trouble at the plants of some of the tyre manufacturers and also on account of power shortage. The Tariff

Commission has completed its enquiry into the cost details of tyre yarn. The company has represented to government that its production is lower and that it has been incurring losses in exports. STC, through which exports of tyre yarn are canalised, has not yet finalised the cash incentive scheme to compensate for export losses. Last year, the company exported 863 tonnes of tyre yarn, worth about Rs 62 lakhs, to countries such as Holland, UK, Austria, etc. The caustic soda plant has been working satisfactorily. Selling price of caustic soda was increased by Rs 60 per tonne. The company has also represented to government that release of imported wood pulp for the rayon plant is far less than its requirements and that it is also consuming indigenous pulp whose quality is not very satisfactory and whose price is substantially above that of imported pulp. Efforts to renovate the textile mills are being continued.

During 1972, Century's net sales increased by 7 per cent but gross profit could look up by 5 per cent, reflecting contraction of margins. The board has recommended a total dividend of 40 per cent, with a final of 20 per cent. The final distribution is payable on the capital as doubled by a bonus issue. Last year, the company paid a total of 45 per cent.

BAYER (INDIA) has taken on hand to

produce chloroquine phosphate from a more basic stage from locally available raw materials. The company's negotiations with government for grant of industrial licences for substantial expansion of rubber chemicals and intermediates thereof and technical pesticides have reached a final stage. Implementation of these major projects is expected to start by the middle of this year. The company is also still negotiating the conditions of the 'letter of intent' for manufacture of toluene diisocyanate, an essential raw material for polyurethane foaming units. Some settlement is expected to be reached in the course of this year. All the divisions contributed to the company's good results for 1972. Sales were a-fourth better compared to the previous year and gross profit was about a-third higher. Dividend has been stepped up 5 points to 20 per cent, which is expected to be exempt from tax. Besides, gift shares have been allotted on a one-for-five basis. The ratio of inventory/sales has been brought down from 28.46 per cent to 23.76 per cent. The company's financial position became very comfortable. After meeting requirements of fixed assets, increased working capital, and payment of long and short-term loan instalments, as at the year-end a surplus of Rs 65 lakhs was invested in short-term deposits with bankers, whereas at the beginning of the year, there were borrowings of Rs 70 lakhs. Exports were increased from Rs 7 lakhs to Rs 21 lakhs, in the competitive international market. Henceforth, the company will be liable to pay income-tax on its entire profits and may also become liable to surtax, since the benefit of accumulated relief under Section 80 J of the Income-tax Act has been fully used. The company spent Rs 20,000 for advertisements in souvenirs of a political party. Emoluments, amounting to Rs 2,000 and above per month, were paid to 53 employees.

ASIAN CABLES is paying a maiden dividend of 7.5 per cent. The company experienced contraction of margins last year, despite considerable increase in sales. A provision of Rs 33 lakhs has been made for development rebate reserve to wipe out the entire arrears on this account. A resolution proposed for the annual meeting seeks shareholders' approval for commencement by the company of the business of manufacture and sale of all types of electrical goods, apparatus and materials and of chemicals of all varieties and descriptions. What, in fact, has been affecting the company's perform-

ance is the very low capacity-utilisation of its plants. For instance, during 1972, the company produced only 11,560 million core metres of IVC/VIR insulated cable and flexible cords, against installed capacity of 49,378 MCM. Similarly, output of ACSR/AAC was 277 tonnes and of magnet wire 452 tonnes, against the installed capacities of 800 and 1,200 tonnes, respectively. Production of power cables was also lower at 1,578 tonnes, against the installed capacity of 1,696 tonnes. The company paid to auditors Rs 28,600, including Rs 8,600 "in other capacity".

WESTERN INDIA MATCH COMPANY complains that its sales last year were affected by severe competition and under-cutting of prices in many markets on account of the growth of match production by small-scale producers who evade excise duty. The estimated government revenue losses are placed at around Rs 3 crores per annum. The company expects reintroduction of excise banderols, as recommended by the government commission appointed to review this problem, by the

end of the current year. This, according to the management, will be a salutary step. As the cottage sector continues to improve its organisation and selling methods, the company is taking steps to protect its markets, develop its products and meet new challenges. The drive to introduce cardboard boxes was very successful and 23 per cent of the total output last year was partially or wholly in cardboard boxes. Wax match sales deteriorated, as the cost of this special execution does not leave the trade with enough margins at the prices the consumer is willing to pay.

During 1972, the company produced 3,691 million boxes of matches against 3,892 million boxes in the preceding year and sold 3,634 million boxes against 3,852 million boxes. Production of paper, which had suffered in 1971 from industrial unrest and other causes, rose by 46 per cent to reach 6,752 tonnes, the highest level so far achieved by the mill. Output of chlorates and perchlorates also increased from 5,304 tonnes and 20 tonnes to 5,696 tonnes and 51 tonnes respectively, but that of salt decreased from

25,645 tonnes to 15,184 tonnes because of "extremely adverse" weather conditions at the Vedaranium salt works. WIMCO's total net sales advanced by 18.6 per cent, while gross profit declined by 11.5 per cent over the respective previous year's levels. This outcome is attributed to rising costs of raw materials. Phosphorous, which had risen by 25 per cent in 1972, rose by another 30 per cent in 1972. The company has to buy this chemical from a sole indigenous producer whose price is well above the landed cost of imported phosphorous. Glue prices went up by 15 per cent and paraffin wax by 26 per cent. "Irresponsible behaviour" by labour and their leaders at the Madras factory escalated into a stoppage from October last. The necessity of feeding the Madras area from other points has added to freight and other costs. Looking to the favourable market prospects for perchlorates, the company has applied for expansion of licensed capacity to 100 tonnes. The company is now producing serviceable magnetic electrodes at Ambemath. Output is at present limited to two shifts because of power restrictions.

The Week's Companies

(Rs in Lakhs)

	Century		Bayer		Asian Cables		WIMCO	
	Latest Year 31-12-72	Last Year 31-12-71	Latest Year 31-12-72	Last Year 31-12-71	Latest Year 31-12-72	Last Year 31-12-71	Latest Year 31-12-72	Last Year 31-12-71
Paid-up capital	860	505	360	300	202	202	495	495
Reserves	1864	2050	322	272	89	39	281	277
Borrowings	582	562	214	341	214	280	185	130
of which Term borrowings	423	478	199	307	19	26	21	21
Gross fixed assets	4715	4324	737	694	361	355	908	826
Net fixed assets	1466	1309	428	438	237	244	429	424
Investments	53	46	2	—	—	—	21	21
Current liabilities	1242	954	192	99	72	64	660	538
Current assets	3028	2715	658	574	340	341	1169	994
Stocks	1386	1124	307	294	156	158	453	350
Book debts	856	558	253	245	181	179	573	479
Net sales	5187	4839	1296	1033	665	557	2188	1836
Other income	239	174	25	22	26	18	31	41
Raw material costs	1612	1634	615	471	489	389	1121	835
Wages	1205	1047	162	126	41	33	368	360
Interest	49	55	22	33	27	32	1	1
Gross profit(+)/loss(—)	1247	1188	286	217	64	63	192	217
Depreciation provision	231	250	54	53	14	14	46	36
Tax provision	710	580	77	—	—	—	87	103
Net profit(+)/loss(—)	306	358	155	164	50	49	59	78
Development rebate provision	36	26	1	4	33	1	8	5
Transfer to reserves	44	159	82	98	2	—	—	14
Dividend								
Amount	P 13 E213 P8.57 E 40	13 160 8.57 45	72	45	15	—	59	59
Rate (per cent)			20	15	7.50	—	12	12
Cover (times)	1.20	2.00	2.14	3.18	1.13	—	0.86	1.23
Ratios (per cent)								
Gross profit/sales	24.13	24.55	22.07	21.00	9.62	11.31	8.77	11.82
Net profit/capital employed	9.25	11.48	17.30	17.96	9.90	9.41	6.14	8.64
Inventories/sales	26.82	23.22	23.76	28.46	23.46	28.37	20.70	19.06
Wages/sales	23.32	21.64	12.50	12.20	6.17	5.92	16.82	19.61

NEW DELHI

Drawn and Quartered

SEVERAL interesting reports, obviously inspired from the right quarters with considerable skill, have appeared in newspapers recently about structural changes under way in the Yojana Bhavan. These changes are supposed to be actuated by a grand design on the part of the Commission's present leadership to restore the Commission to its old glory as the focal point of the social and economic development of the country. Changes in the allocation of work among the Members of the Commission, the creation of an elaborate machinery under the Planning Minister for monitoring and evaluation which will report directly to the Prime Minister and the induction of some managerial personalities, mainly in the new monitoring and evaluation organisation, are cited as steps calculated to revitalise the Commission.

A closer look at the manner in which work is actually going on in the Yojana Bhavan, however, gives a very different idea of what is happening to the Planning Commission. It would appear that the style of the present leadership of the Commission is sapping the Commission's ability to function as a body and undermining its effectiveness. Individual Members of the Commission are assigned particular jobs which they do in isolation. There is no interaction, not even communication, among them. The Commission has no common view on the broad trends in the economy or on policy questions. The Deputy Chairman functions not so much as head of the Commission as a Cabinet Minister holding the planning portfolio; he, therefore, stands apart from and above the Commission and its individual Members. The Members are thus reduced to the position of officials and personal advisers to the Planning Minister on matters on which their advice might be required. The deleterious effects of this state of affairs for the character and spirit of the Planning Commission are already beginning to be felt.

NO MEETINGS

The Approach to the Fifth Five-Year Plan was not the product of a collective effort by the Commission. As for the formulation of the annual plan for the current year, which is now ready at last, it has turned out to be no more than an arithmetical exercise to put to-

gether the budgets of the central and state governments. The idea of making an assessment of the progress of the Fourth Plan last year has been all but given up. In these circumstances, it has not been found necessary to even hold meetings of the Members of the Commission.

The Prime Minister had indicated some time ago that a major task for the Planning Commission after the formulation of the Approach to the Fifth Plan and before seriously taking up work on the draft outline of the Plan was the preparation of a policy frame which will give substance to the broad objectives outlined in the Approach paper. However, it now appears that the Commission is not to be associated with this crucial task at all. The idea being put forward is that the work of formulating policies on subjects under their respective charge is that of the executive ministries. It would of course be open to the ministries to make use of the expertise available in the Planning Commission. Thus not the Commission as a whole but individual experts — Members or other officers of the Commission — may help and advise the Ministries.

What has been happening is that the Cabinet sets up its own sub-committees on particular subjects of interest. By virtue of his position in the Cabinet, the Planning Minister is invariably a Member of these committees, together with some of his other Cabinet colleagues. The sub-committees then set up other committees to examine the issues at the expert level and report to the Cabinet sub-committees through the concerned executive ministries. It may happen that one Member or the other of the Commission may be associated with the preparation of reports for the Ministries and the Cabinet sub-committees. This is what happened in regard to the take-over of wholesale trade in foodgrains and wages policy. In both cases, S Chakravarty was chairman of the experts panel. But it was made very clear that he was heading the panels as an expert and not as Member of the Planning Commission. The Commission as a body thus had nothing to do with either exercise. The conclusions of the panels and their reports went directly to the concerned ministries and were not made available

to other Members of the Commission.

A new virtue which is being claimed for this arrangement is that there will be no confrontation between the Commission and the executive ministry or the Cabinet on policy matters. But is the best way to avoid a confrontation to keep the Planning Commission altogether out of the picture in economic policy making? And if this is to be the Commission's role in policy formulation in crucial areas, what function is it expected to perform in the preparation of the Fifth Plan, in the whole or sector-wise? Again, under these arrangements, the status of the Deputy Chairman of the Planning Commission is completely subordinated to his status as Planning Minister. The office of the Deputy Chairman of the Commission has as a result lost all identity and significance. It is as if the Planning Minister were holding this office *ex-officio*.

'TALENT' FROM PRIVATE SECTOR

This manner of functioning of the Planning Commission has given rise to quite a few piquant situations. Thus we have a full Member of the Commission who is also concurrently the chairman of a public sector undertaking. He presents the so-called crash programme for fertilisers on behalf of his undertaking directly to the executive ministry concerned. The Planning Commission as such has not processed the programme or had anything to do with it. Yet the programme will necessarily carry the weight of the Commission behind it because its chief sponsor is a Member of the Commission. The same Member, again, is chairman of the Action Committee for public sector undertakings. This Committee is also totally outside the purview of the Planning Commission, having been set up by the Union Cabinet in response to a resolution passed by the All-India Congress Committee. As chairman of the Action Committee, he has associated all manner of experts from the private sector as consultants on generous fees to probe and supervise the work of various public sector corporations. These experts are reeling off reports, some of them of very questionable value. Simultaneously, a cell for project evaluation is being created in Yojana Bhavan under the charge of the same Member. In association with private consultants, the cell will examine new projects proposed for the Fifth Plan. Managements of a number of public sector undertakings

are understandably getting very restive about these goings on. Meanwhile, one may confidently expect that in a few months a number of foreign consultants will descend on Yojana Bhavan and many of the public sector undertakings to advise on what should be done to improve their management, performance, etc.

Finally, there is the new monitoring and evaluation division being set up under the care of the Planning Minister which will report directly to the Prime Minister and not to the Commission. This is supposed to be the answer to the problem of ensuring better implementation of the Plans. This division has provided berths for the much-touted entry of certain managers from the private sector. How exactly this division will function and what its relationship with the executive ministries responsible for implementing Plan projects will be, are matters still not very clear. But there are already openly-expressed misgivings that the division may become an instrument of arm-twisting available to the Planning Minister in relation to his other cabinet colleagues.

There is a keen race to attract 'talent' from the private sector in all sections

of the government these days. The professional manager is becoming the *sine qua non* of efficiency and more rapid growth. In the process, it does not seem to be realised that there are limits to the effective use of large numbers of managers from the private sector in the government administration. The managements of the public sector undertakings in particular will now have to reckon with not only the civil services bosses as hitherto but also the new busybodies from the private sector.

While the Planning Commission has ceased to function as a body and the work of preparing the draft of the Fifth Plan has been stalled, the executive ministries are going ahead with their work without any reference to the objectives and commitments set out in the Approach to the Fifth Plan. The Task Forces set up under the aegis of the different ministries to prepare sectoral programmes are proposing targets and allocations totally out of step with the Approach document. Similarly, the issue of new licences bears no relationship with the changes in the composition of production proposed in the Approach paper. Everything and everybody appears to be moving at cross purposes.

KRISHI MELAS

Gilt of New Technology Wearing Off

(From a Special Correspondent)

FROM the middle of February to the end of March this year could be described as the season of Farmers' Fairs. Most of the Agricultural Universities and Research Institutes in North India — including those at Pantnagar, Hissar, Ludhiana, Jabalpur, Udaipur, New Delhi and Karnal — organised their Krishi Vigyan Melas, as the Farmers' Fairs are known, during this period. The Melas are being organised by the different agricultural universities for the past several years to expose the farmer to the latest agricultural research done by them.

In the early years, the Melas attracted large crowds of farmers and proved an important medium of communication from the extension point of view. However, it has been noted in the case of some of the institutions that, despite wide publicity, the number of farmers visiting the Fairs is on the decline. This could be attributed to several factors, such as the absence of side attractions like VIPs to in-

augurate the Fairs; the fact that most of the new seeds distributed at these fairs are no longer as new or as scarce as they used to be in the past; the belief of the farmers that the same material is exhibited every year without anything substantially new being added; and, finally, the farmer's disillusionment resulting from his discovery of wide gaps between the experimental results demonstrated in the Fairs and the actual performance of the new technology on their own farms.

The farmers' disappointment on the last two counts could be clearly seen from the questions put by farmers to experts at the Vichar Goshtis, or discussion sessions, at the Melas. The discussion sessions at which agricultural scientists and farmers discuss problems face to face have been an interesting, and at times even exciting, feature of the Melas. As it is the 'progressive' farmers or those having solid practical experience of farming

who are generally the principal participants in the discussions with the scientists, the debates have at times thrown up very relevant points. For instance, it was pointed out by some farmers in one of the Melas that in the context of fast-changing farm technology, the Village Level Worker, because of his limited technical equipment, has become an obsolete and rather irrelevant agency for extension work. The argument may be extended even to the higher-level extension officials of the state agricultural departments and the subject matter specialists in some of the areas. They also suffer from rapid obsolescence of their skills unless they are provided with regular in-service training to refresh and update their knowledge. This is one of the arguments generally advanced by the protagonists of the transfer of extension activities from the state agricultural departments to the agricultural universities.

Another point often raised by the farmers relates to their claims about the relative superiority of the farmers' distilled wisdom to the theoretical knowledge of the scientists on farm problems. That there may be some truth in this claim is indicated by a number of examples. In some cases, as it has been noted, the cultural practices followed by farmers who achieved the highest yields to win the title of Krishi Pundits were at variance from the practices and input doses recommended by the subject matter specialists to maximise crop yields. Similarly, it is said that the innovation of 'brick plantation technique', evolved by the desert scientists at Jodhpur to be used for afforestation, owes its origin partly to the farmers' experience that to ensure better germination of the tree and bush seeds in desert areas, the fruits containing the seeds should be fed to animals, particularly sheep and goats. The animal dung containing the undigested plant seeds, not only protects the seed against sterility, climatic hazards and pests but also provides necessary nutrients and conserves moisture necessary for the sprouting of the plant.

Such examples could be multiplied. This underscores the fact that farmers' experience, though unrefined, could contribute to the better understanding of agriculture by scientists. If this does not happen, the reason should be seen in the failure to establish a two-way communication system, which is one of the important functions of the Extension Departments in the Agricultural Universities.

A large number of questions raised in the discussion sessions at the various Krishi Melas this year pertained to the experience of the farmers with the new technology recommended by the agricultural scientists. A majority of the farmers complained that both in terms of physical yields and net economic returns, the new technology (particularly HYV wheat) has given much lower performance on their fields compared to the results (including those of the National Demonstration Schemes) demonstrated at the Melas. The scientists' stock answer was that the relatively poor results were due probably to the farmers' failure to use the inputs according to the recommendations. However, there could be

BIHAR

The Seven Blind Men...

N K Singh

DESPITE what some opposition leaders called its "indirect bribing" of voters and despite its widespread use of cars and jeeps, the Congress suffered a humiliating defeat in the prestigious by-election for the Banka parliamentary seat when it finished a poor third and even lost its security deposit. The election result must have come as a big jolt to the powers that be who left not a single stone unturned to retain the seat left vacant by the death of Congressman Shivchandrika Prasad.

A report published in *Searchlight*, a Patna daily, stated that "a top Congress leader who was one of the managers of the Congress poll campaign" had said that his party had spent about Rs four lakhs, besides the expenditure the government might have incurred over the various central and state ministers' trips to Banka. About a fortnight before the election the whole constituency was divided into 15 zones, each under the charge of a minister while Chief Minister Kedar Pande was busy visiting one or other area of the constituency almost every day. And of course, Union Railway Minister L N Mishra was there to supervise the election campaign.

All this, plus the "indirect bribing" of voters! Just three days before the election, Deoghar was promised the status of a district. Four days before the polling, Union Home Minister Uma Shankar Dikshit laid the foundation stone of a bridge in near-by Korha. The Railway Minister, in the meanwhile, gave an assurance that he would

many other reasons for the performance gap of the new farm technology in the two situations, such as: lack of uniformity in the accounting system followed by the two for estimating input costs, large number of constraints and uncertainties affecting input availability to the farmers (which are almost unknown to the operators of experimental farms), and the tendency to overstate and understate the achievements on the part of the scientists and the farmers, respectively. A farmer in one of the Mela discussions even went to the extent of accusing the scientists that they had been largely responsible for 'provoking' the government to set up the Raj Committee on Agricultural Taxation.

The reasons advanced for the Congress defeat are many and varied. L N Mishra, the Congressman-in-charge of the Banka election and the acknowledged boss of the party in Bihar, said that the division of votes between the Congress and the CPI was "one of the main causes of our defeat". The CPI agreed. For Ram Lakhan Singh Yadav, a leader of the dissident Bihar Congressmen, it was the "wrong choice" of candidate which caused the debacle. The candidate had been nominated by the high command in disregard of the PCC recommendation. The defeated Congress candidate, regarded as a nominee of Jagjivan Ram, found traces of internal sabotage. She blamed a close associate of L N Mishra, PCC President Vidyakar Kavi, and R L S Yadav for her debacle. She alleged that some of these persons had even passed Congress election funds to other candidates.

Such accusations are not surprising in view of the widespread factionalism in the state Congress. There are four main groups within the state Congress: one led by L N Mishra and his younger brother Jagannath Mishra, Power Minister of Bihar; another led by Kedar Pande and his two Cabinet colleagues, Ramesh Jha and Bishwa Narayan Singh; a third led by Jagjivan Ram and his Bihar representative Daroga Rai, a former Chief Minister and presently Finance Minister in the Pande Ministry; and a fourth group led by dissident R L S Yadav. Besides, there are several small groups. According to recent reports, the groups headed by Jagjivan Ram, Kedar Pande and R L S Yadav have made common cause against L N Mishra. Pande and Yadav had closed-door talks with Jagjivan Ram recently about, what their spokesman described as, "extricating the party from Mishra's stranglehold".

Some, especially the communists-turned-Congressmen, said that the "lack of ideological commitment among the Congress workers" and the relatively better performance of Madhu Limaye's "thousands of educated and bright young workers brought from Maharashtra" were responsible for the Congress debacle and Socialist victory. Congress workers had shown a lack of will to defend the government's policies. In fact, most Congress workers drafted for the election campaign had been critical in private conversation of these policies.

George Fernandes, jubilant over the victory of his party's candidate, said that "earlier in Bombay and now in Banka people have given a clear de-

monstration of their frustration and disillusionment with Indira Gandhi's party and government". The bulk of about five lakh voters of Banka had used the by-election as an opportunity to express their resentment against the growing economic problem in general and in particular, against the government's decision to reimpose rent on uneconomic holdings, against the take-over of the wholesale trade in grain which had paradoxically hit the petty retail traders most, and, last but not the least, against the unattractive procurement prices offered by the government following the take-over. Though Fernandes did not say so in that many words, his party derived maximum benefit from the last mentioned issue. Soon after returning from Banka, Fernandes issued a statement in Patna demanding the raising of procurement prices of wheat from Rs 71-76 to Rs 100 per quintal. The explanation given was that the biggest hit were the small and middle peasants due to the higher cost of production incurred by them. Now the Socialist Party has even passed a resolution in favour of a rise in procurement prices.

Another wise man, a representative of the Fourth Estate, thought that it was wrong to construe the Banka verdict "as a swing against the ruling party". In a by-election, party labels did not weigh as much in the voter's mind as they did in a general election. Limaye was a well known political personality and parliamentarian and his victory was a personal one.

But it was left to Raj Narain to present the most original viewpoint: Congress had not lost the Banka seat, but had actually won it through Madhu Limaye's victory. According to Raj Narain, the ruling party had in fact fielded three candidates — Shakuntala Devi (Congress), Vasudeva Yadav (CPI) and Madhu Limaye (SP) — to divide the votes and block his (Narain's) entry to Parliament. So, Limaye's victory was a victory for the ruling party.

Like the seven blind men, all these observers and politicians failed, some deliberately, to perceive the election elephant. Caste is the Freudian instinct of Bihar electoral politics. Bihar is a state where caste loyalties manifest themselves blatantly in elections. Out of about 5 lakh voters in Banka, one lakh are Yadavas, one lakh Harijans and other backward castes, 60,000 Rajputs, 45,000 Brahmins and 35,000 Muslims. In the ultimate caste analysis, Limaye had several advantages over all the other candidates. The upper

caste people were obsessed with the idea of 'teaching the Congress a lesson'. They resented the selection of a backward caste candidate on the ground that "an upper caste candidate had no chance". Hence their anxiety to prove that the upper caste people had it in them to work for the success of an upper caste candidate, regardless of party labels. In the present case their choice fell on Limaye. All the other contestants, except Raj Narain, were from a backward caste. Specifically speaking, the Brahmins voted for Limaye because they were angered by the denial of the Congress ticket to a Brahmin nominee who had represented the constituency in the past. Besides, Limaye was, after all, a Brahmin.

The Rajputs, who were instrumental in bringing about Limaye's defeat in Monghyr in 1971, helped him in a big way this time. Though the Congress(O) leader, Satya Narain Singh, had promised his party's support to Raj Narain, this did not have much effect. It was only a lukewarm kind of support: Singh had declined to campaign personally for Raj Narain. Besides, Raj Narain was a Bhumihaar, a caste supposed to be the traditional enemy of the Rajputs — and there had recently been a quarrel between the Bhumihaar and Rajput factions in the Gaya session of Congress(O). Furthermore, most of the Rajputs were farmers, sore over the compulsory wheat levy. So they ultimately chose Limaye to be their man against the government.

NAXALITES

Prisoners and Patron Saints

M R

FOR months now, Parliament has been assured again and again that the Naxalite movement, all but smashed up, is in a state of disarray. Ministerial pronouncements to this effect have also carried the ominous suggestion that the movement, fragmented mainly over the specifics of strategy even after the controversial annihilation tactic had been abandoned or at least suspended, would not be allowed to regroup on the basis of an agreed tactical line.

At the same time, thanks to the inexplicable solicitude displayed by Bhupesh Gupta and the CPI, the Prime Minister wrote to the Chief Ministers of the 'infested' states pleading for humane treatment of the Naxalites, especially those in prison and under detention. This indicated a differentiat-

The Yadav vote, thanks to R L S Yadav, who claimed that he could sway his castemen whichever way he wanted, also became anti-Congress and was divided between the two Yadav candidates belonging to the CPI and the Jan Sangh. As the CPI candidate had a better winning chance, he bagged most of his castemen's votes. This was reflected in the CPI's improved number of votes: from 70,000 in 1971 to 76,500 in 1973.

The Muslims had become anti-Congress and anti-CPI because of these parties' attitudes on the Aligarh University Act and allied matters. Their choice also fell upon the non-Congress candidate with a better chance of winning, Madhu Limaye.

Though the Congress candidate enjoyed some advantages because she belonged to a backward caste, part of the backward communities' vote was taken by the CPI and the Jan Sangh. The Socialist Party and the SSP also bagged sizeable chunks of this vote. It is not that the Congress did not practise casteism. The 20-odd ministers camping at Banka worked on caste lines. Brahmins were deputed to manage Brahmin votes, a Rajput minister for Rajputs, Banias for Banias, Kurmis for Kurmis, and so on. Yet the Congress failed miserably. The simple fact is that the attempts by the ruling party, the CPI and the Jan Sangh to exploit the caste prejudices of the Banka electorate failed while the Socialist Party's succeeded.

ed, political approach to a political problem in place of the law and order approach. Siddhartha Shankar Ray, the West Bengal Chief Minister, pretended to welcome the Prime Minister's suggestions and even claimed that his government was acting upon them. As for the other major 'infested' state, Andhra Pradesh, the Union Home Minister has assured Bhupesh Gupta that the state government was constantly reviewing the cases of the Naxalites in the light of the Prime Minister's suggestions.

While all this might be good for public consumption, both from the government's point of view as well as from Bhupesh Gupta's and the CPI's in fact there seems to be really no change in the government's approach. The Orissa Sarvodaya leader, Ratan Das, who has

been campaigning for the commutation of the death sentence passed on Naga-bhushan Patnaik, got an altogether different impression when he met the Prime Minister in mid-April from that conveyed by the Prime Minister's letter to the Chief Ministers. The Prime Minister bluntly told Das that she refused to believe that there had been any change in the Naxalite tactical line. Further, after the Supreme Court had struck down Section 17(a) of the Maintenance of Internal Security Act there has been no move, not even in West Bengal, to release those held under the impugned provision of the Act. In fact, the West Bengal Chief Minister has given the impression that the state government was in no mood to countenance any large-scale release of Naxalite prisoners. On the contrary, a systematic campaign has been launched in the press about the alleged spurt in Naxalite activity in West Bengal. There is a sinister pattern in the attempt to link cases of gun-snatching and cop-killing with revival of Naxalite activity. Murders resulting from crude Congress factional rivalries in the state have also been ingenuously ascribed to the Naxalite's annihilation campaign. All this has provided the smoke-screen for fresh arrests in the state, by giving the public the impression that not only would it be imprudent to release those in prison but that prudence required the rounding up of many who had escaped arrest in the past.

It was against this background that the National Convention for the Release of Naxalites, unmistakably a CPI-sponsored show, took place in New Delhi on April 20 and 21. Perhaps the CPI thought that a general release of prisoners was in any case round the corner and that it should be in a position to appropriate the credit for it. Again, it has been reported that about 180 Naxalite prisoners in Andhra Pradesh have gone over to the CPI which wants to secure their release so that they could provide much-needed cadres for the party in the state. The CPI also hopes perhaps that release of Naxalite prisoners in West Bengal may benefit it similarly. Or it could be that the government itself at one stage thought of releasing the prisoners and wanted the CPI to get some credit for it. Finally, the convention also had the objective of discomfiting the CPI(M). The CPI(M) could not participate in the convention so long as its scope was limited to securing the release only of Naxalite prisoners. For, the CPI(M)'s cadres are also victims, especially in West Bengal, of the draconian laws

invoked against the Naxalites.

The discussions at the convention did not help to establish the CPI's *bona fides*. George Fernandes, Chairman of the Socialist Party, posed the question straight: as proof of its *bona fides*, should not the CPI, which heads the Kerala Ministry, get Achuta Menon to release the Naxalites detained there? (There are 60 Naxalites held under MISA in Kerala without any specific charges against them.) Bhupesh Gupta's answer to this was far from convincing. After all, the CPI was only a partner in the coalition ministry in Kerala and it was not running the whole show. As it turned out, the convention went beyond what the sponsors had bargained for. It demanded the release not only of Naxalite prisoners but of all democratic and leftist prisoners, whichever party they belonged to. The convention also denounced the detention of persons without trial.

The convention might, nevertheless, have served some purpose by highlighting the problem of 32,000 Naxalite prisoners in the country. Reports from the states suggested that while the West Bengal government's emphasis was on MISA, in Andhra Pradesh the provi-

sions of the Indian Penal Code regarding conspiracy seem to have come in handy. The exact break-up of Naxalite prisoners of various categories in West Bengal (undertrials, those serving prison sentences and those detained under MISA) is not available, but there is little doubt that thousands have been held without trial, or even any prospect of trial, for years (some since 1967-68). A large number of these come under the category of 'undertrials'. In Andhra Pradesh, there are only two MISA detenus. The state government's preference was for framing on vague charges of conspiracy those who could not be killed off in "encounters". And these conspiracy trials take a long time to start. Many have been in prison in connection with the Parvathipuram conspiracy case awaiting trial since 1969. The trial has been a non-starter, with the prosecution citing 830-odd witnesses which means it will take a few years. Some of the leaders accused in this case have been simultaneously charged in several other conspiracy cases. Short of a political decision by the state to drop these cases, the best that these leaders can hope is to be out on conditional bail for the rest of their lives.

WEST BENGAL

No Hope for MISA Detenus

OF the nearly 2,500 prisoners detained under the Maintenance of Internal Security Act (MISA), in West Bengal as many as 1,760 were held under Section 17(a) of the Act which was struck down by the Supreme Court. It is characteristic of the present Congress government in the state that even weeks after the Section was struck down by the highest judiciary of the land, only about a couple of hundred of the illegally detained prisoners have been released. Of them, again, most were re-arrested at the jail gates under some other section of the same black Act.

Anticipating the Supreme Court's judgment, the State's Inspector-General of Police had suddenly sought to create a scare of Naxalite recrudescence after having for months past claimed credit for the successful liquidation of the Naxalite 'menace'. But he found no takers for his myth — not even among friends in the establishment Press, who came out with a number of stories about serious political churning among the Naxalite residue. The Press also highlighted widespread condemnation among the rival Naxalite groups of the senseless violence that had marked the last

phase of the late Charu Mazumdar's leadership.

This is not to deny, however, that violence and crime are very much in the air in West Bengal. Murders, robberies, extortions, etc, have become a part of life. But the number of 'anti-social' elements among the MISA prisoners will not exceed 100. Excluding the CPI(M) activists, who constitute roughly a third of the MISA prisoners, the rest of those held under MISA come from Naxalite ranks. The non-political Naxalites have long since flocked to the Congress.

The threat to law and order in West Bengal today comes not from the ranks of CPI(M) or CPI(ML), but from the periphery of the ruling party itself. For instance, on April 27, a local chieftain of the Congress youth was shot at in North-East Calcutta and the whole district was subjected to the paralysis of a local *bandh* for two consecutive days. The colleagues of the injured Congress youth leader, including three Congress MLAs from Calcutta, in public statements clearly hinted at the hand of their factional rivals behind the outrage

A few days back, the Congress MLA from this area had been attacked in broad daylight. The MLA belongs to a faction opposed to that of the present victim. On April 26, two local leaders of the Congress youth were produced before the Additional Chief Presidency Magistrate on charges of rioting with deadly weapons and attempts to murder during an intra-party clash in North-West Calcutta.

The three Congress MLAs mentioned above are reported to have submitted to the Chief Minister a long list of anti-social elements challenging him either to arrest them or to give them good

conduct certificates.

A former Advocate-General of West Bengal, Ajit Datta, said recently: "I was at Santiniketan on the day Section 17(a) of the MISA was struck down. I found the local boys rejoicing on the road. I knew that the boys were rejoicing for nothing; their friends would not be freed. They would be detained under other charges." Datta has proved to be completely right. The present regime needs MISA not for checking violence, which is now a Congress monopoly, but for suppressing the steadily growing anger of the bamboozled masses.

SOUTH

Behind the Dindigul Debate

Mohit Sen

THE continuing mosaic that is the politics of Tamil Nadu, is shown up in the contest at Dindigul. There are three chief contestants — the Anna DMK, Kamaraj's Syndicate, and the DMK. The Congress too is fielding its candidate and so is the Forward Bloc. In the latter's case, the Thevar caste of the candidate indicates that the Forward Bloc might be contesting more to cut into the vote of the Anna DMK candidate than to give itself an MP. The case of the Congress is different. There is, of course, the interpretation that this would be the best way in which it could help the Anna DMK by cutting into the vote of the Syndicate. But this appears rather farfetched.

It is wrong to imagine that four years have passed to no effect and that there is a traditional Congress mass base which Kamaraj has somehow won over. In fact, the Syndicate has got a considerable mass base in the state, which is very largely due to the prestige, organisational skill, and hard work of the former Congress president. But the leadership and cadres of this party have even more clearly demarcated themselves from the Congress — as was evidenced by Kamaraj's presence at the Swatantra convention. It is quite solidly a part of the Grand Alliance and seeks to function and present a definite identity on that basis. It has, therefore, to fight as such.

The real motivation behind the setting up of a Congress candidate is the view of an important section of the Congress leadership in the state and at Delhi, that the Congress can serve as the rallying point for the anti-DMK forces in Tamil Nadu. The

idea is to establish the Congress presence in the state, and to undo the tactic that led to the surrender of contest in the 1971 elections to the Assembly. Nobody can quarrel with the desire of any political party to assert its existence; what one can certainly doubt is whether the form and time of this assertion are propitious. Only very recently the Congress had worked out a line that, in Tamil Nadu, its two enemies were the Syndicate of Kamaraj and the DMK of Karunanidhi. It resolved to unite with all other forces and parties to defeat these two enemies. It has been widely reported that some of the Congress leaders were not happy with this position. They neither liked the total opposition to Kamaraj nor the approach toward alignment with the Anna DMK of MGR. A compromise between these two trends has led to the decision to contest on one's own but

with the main thrust of the campaign against the DMK and Syndicate. At the same time, the Anna DMK is to be criticised as being unable to provide a viable alternative and advised that it should fold up and its members and followers should join the Congress.

One by-product of the Congress decision to contest has been the withdrawal of the CPM's candidate. That party had declared that it was willing to develop some kind of co-operation with the Anna DMK, provided it had no truck with the Congress. In any event, its present stand is to be welcomed. It would lead to a measure of common campaigning and help towards consolidation of the Left and democratic forces in the state. It will, after all, be necessary for the CPM leadership to explain why it has decided to favour the Anna DMK as against all the other forces — or why it has decided to favour anybody at all. And there would be the consequences following from support to the candidate supported by the CPI also.

The turn of the political wheel in Tamil Nadu has posed afresh, urgently, and in a specific form, the unity of the Left and the democratic parties and forces — which is the key problem of the country as a whole. The element of radicalism that formed an important part of the appeal of the DMK under Annadurai has neither disappeared nor found its way to any other party to any significant degree. The split of the DMK finds this radicalism veering behind what may be considered the heir of the dream and drive of Annadurai. After all, in Tamil Nadu, not only was the undivided Congress faced with a petty bourgeois and intermediate strata-based political formation, but it was not very much divided in the 1969 climacteric; it was this formation that split after Karunanidhi had swung

SUBSCRIPTION RATES

	Inland	Foreign (surface mail)
6 months	Rs 40	
1 year	Rs 75	Rs 110
2 years	Rs 140	Rs 210
3 years	Rs 200	Rs 305

Concessional Rates for Teachers and Students

6 months	Rs 18
1 year	Rs 35
2 years	Rs 60
3 years	Rs 80

Concessional rates are not applicable to students and teachers outside India

to the Right. The lack of programmatic clarity on the part of MGR's following should not lead to any underestimation of either its radicalism or the possibilities inherent in this radicalism. There can be no worthwhile Left and democratic unity in this state which does not take into its scope this vast and seething force. The politicalisation of this force, as of any other mass force, will take place through direct experience and the explication of this experience. Making sophisticated grimaces at it from the sidelines would not help. The stability and final shape of this trend are not matters of immediate concern.

It is not possible to make any predic-

tions about the poll results in Dindigul. It is after all, a single by-election. It could have become a pace-setter, whatever the concrete results, had the Congress not taken the stand that it has. Banka does not appear to have satisfied the masochists in that party. Nevertheless, campaigning in a parliamentary constituency involves a fair amount of political agitation. And, contrary to the views of the supercilious, the masses do to a considerable extent listen and learn and weigh the speeches against the exacting realities of their life. From generalities the issues do acquire a greater concreteness. There can be no doubt that the Dindigul debate will result in further mass awakening.

fied to understand foreign policy problems of all countries and is accordingly posted anywhere — from Soviet Russia to Argentina; the specialist has no place in it at any stage, although in the foreign services of countries of Europe and America he has been directing foreign policy affairs to an appreciable extent.

FOREIGN POLICY FORMULATION

News and policy analysis is done by the Press and the missions abroad have largely tended to see their function as consisting of despatching reports based simply on published material through diplomatic bags. Ambassadors do meet the Foreign Office men of the country of their postings and send their own assessments based on such meetings. But this is rare in normal times and cannot therefore form the major source of material for foreign policy formulation. In the United States, Soviet Russia and the European countries, foreign policy formulation is assisted to a great extent by the specialist research staff working in the external affairs and allied ministries. In the United States, for example, besides the State Department — which has a large research wing of its own — the President's National Security Adviser and the Pentagon (at the CIA headquarters) have their own research wings too, which engage in contemporary and perspective planning. One of the reasons why the Pentagon is suspected of having a large say in the shaping of US policy may well be that the CIA headquarters has a more competent and better equipped centre for perspective planning in foreign affairs than does the State Department. The position papers prepared by the research staff have a much greater role in the formulation of US foreign policy than do bare ambassadorial reports.

In India, the situation is highly unsatisfactory. The Policy Planning and Review Division of the Ministry of External Affairs, which is formally entrusted with this work, is, as expected, headed by a career diplomat and is very inadequately staffed. Two years ago, it had one Joint Secretary, one Deputy Secretary, and two Research Officers. Although the posts of three Deputy Secretaries and several Research Officers were sanctioned, they remained unfilled for several months. The situation has apparently deteriorated since then. Of the two Research Officers, one has left the Ministry and joined a research institute in the same grade.

The functioning of the External

FOREIGN POLICY

Where Bureaucracy Thrives

J A Naik

FOREIGN policy planning has remained by and large neglected in post-Independence India. Under Nehru, the need to institutionalise foreign policy planning was never explicitly felt. Nehru's towering personality and his keen interest in foreign affairs made this largely a personal preserve of the Prime Minister.

If Nehru's profound interest in foreign affairs tended to give a personal content and style to foreign policy making, the lack of a dominant political leadership in South Block since Nehru has tended to strengthen the hands of the bureaucracy of late and deprived India's foreign policy management of imagination and initiative.

FOREIGN AFFAIRS

Foreign policy-making suffers from want of competence in both the Lok Sabha and the External Affairs Ministry. Indeed, the Congress Parliamentary Party is probably the weakest link in the foreign policy formulation process. It is difficult to find even one or two members in the large Congress Parliamentary Party who can speak with knowledgeability on foreign affairs. In such a political milieu, the file-bound, administration-running, and status-quo oriented bureaucracy inevitably acquires the decisive voice in policy making.

Policy planning has been generally divorced from personnel planning in the political field, while in administration it has been generally equated with personnel planning. Thus hardly any

attempt has been made in the Congress Party to induct into the Congress Parliamentary Party persons who have some knowledge of the different fields required for running the nation's administration. Though the Foreign Affairs Department of the All-India Congress Committee is more than four decades old, it has hardly functioned in the 25 years since Independence. At the time of the Congress split, its total staff consisted of one secretary and one stenographer — the latter normally busy with the work of other offices. Parliament's Consultative Committee on Foreign Affairs is normally summoned by the Minister to furnish it with *post facto* information rather than to obtain from it *ex ante* consultations on foreign policy matters. Although the Committee is supposed to meet twice during each session of the Lok Sabha, of late its meetings have been less frequent and less regular. During Dinesh Singh's tenure of the Ministry, for example, it met only twice in three years — on both occasions to discuss the 'officially given' agenda of Nepal and South-East Asia.

The External Affairs Ministry presents a slightly more encouraging aspect, though by no means a very hopeful one. The principal defect of the working of the External Affairs Ministry continues to be its rather faulty personnel policy, inadequate organisation, and uncoordinated functioning. The generalist, who has qualified for his job on the basis of subject-personality tests in his early twenties, is supposed to be quali-

ed ministries. The Ministry of External Affairs does not have a division specialising in military affairs, nor does the Policy Planning and Review Division have a military affairs specialist at any level. A team of military affairs specialists could do much of the intelligence activities in New Delhi, as it is estimated that about 90 per cent of the intelligence information can be now found in published sources. The need to collect information from published sources is at least as much important as

This is striking when we look at the number of economic posts created in our missions abroad. More than one-third of India's total foreign trade is with the East European countries and Soviet Russia stands second among our trading partners in order of importance. Of the total of 63 economic posts in our missions abroad, the highest are in the US (six) followed by the UK (four), Belgium (three) and Canada, Sri Lanka, West Germany, Italy, Japan, Pakistan, Thailand and the UAR (two each). Despite Russia's number two position among our foreign trade partners, the Indian Embassy in the USSR has only one economic attache, while even a minor trading partner such as Thailand has two!

INADEQUATE ARRANGEMENTS

South Block seems to view the function of the economic attache short-sightedly as one of earning convertible currency for the country rather than as that of promoting the country's imports and exports. It seems to have been conveniently decided that the STC Office in Moscow would acquaint the Soviet Trade Organisations with the Indian goods and that its Soviet counterpart in New Delhi could do a similar job in India. This has not only proved a hopelessly inadequate arrangement but seems to have contributed to the development of *ad hoc* trade promotion between the two countries. In view of the indifferent quality of Russian products, it is necessary that the Foreign Trade or External Affairs Ministries should have a team of technocrats familiar with Soviet and western products, as well as a team of researchers exploring the COMECON countries' trade activities and production trends. Indeed, our trade mission in Moscow could be made large enough to carry out such research in the Soviet Union itself.

Another glaring shortcoming in our foreign policy planning is the apparent lack of co-ordination among the concern-

ed ministries. The Ministry of External Affairs does not have a division specialising in military affairs, nor does the Policy Planning and Review Division have a military affairs specialist at any level. A team of military affairs specialists could do much of the intelligence activities in New Delhi, as it is estimated that about 90 per cent of the intelligence information can be now found in published sources. The need to collect information from published sources is at least as much important as

normal intelligence activity. There seems to be little co-ordination even in this respect among the Ministries of External Affairs, Defence and Home. The Military Attaches send their reports to the Defence Ministry, but the latter does not have a wing specialising in external affairs which could analyse and assess trends from the point of view of foreign policy formulation, nor does the External Affairs Ministry have a wing of specialists in military affairs to assess the strategic value of such information.

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davp 72/783

Preparing for Powell

ALLOW me to attempt a strictly neutral diary of what may be seen as a chain of events in Britain 1973. To a reader it may seem a random selection, but it is one that has forced itself on me. The last part of the last item would read "The police suspect one man on a Lambretta. A South London firm has agreed to assist the police by building a model of the scooter. The local priest in Brixton, South London, has set up a fund of £40 to help the victims of the fire-bombs." If I were to balance in my posture of neutrality, there I would have to leave it.

At the risk of breaking a rule of journalism and writing advertisements for myself, I must declare my interest in the last item. In the early hours of the morning of March 16, six shops in South London, belonging to black people, were wrecked by fire-bombs. Nobody was killed, but several people were seriously injured. I myself lived above a bookshop called Unity Centre in Brixton, the predominantly West Indian ghetto of South London and was asleep at the time the bomb crashed into the shop and set it violently ablaze in seconds. I was the only occupant and got out by finding my way down from a second floor window. The Asian families, who lived above the other places that were bombed that night, suffered similar adventures. All the premises attacked, with the exception of Unity Centre, which was initiated by the Black Panther Movement, were grocery stores and the like, run as small family businesses by people of Asian origin, from the subcontinent or from Africa. Apart from the political symptoms, evident in the state of the nation, no warnings were given of this outbreak of right wing terror. No politician publicly made a comment after the event. The television men asked two of the shopkeepers to appear, which they did, saying that they could see no conceivable reason for the attacks and no political motive as, indeed, they weren't involved in politics.

A few days earlier we, the collective that runs Unity Centre as a bookshop and cultural-political meeting place, had been given a sort of warning, to which we reacted no more than analytically. The Monday Club, the fascist wing of the Conservative Party, issued a statement through two prospective Council candidates to the effect that our bookshop disseminated 'black power' and 'terrorism' and that such a venture was unwelcome in the community. The two

members involved tried to stimulate a controversy in the Houses of Parliament concerning the donations that Unity Centre had received from the Council for Community Relations. It is common knowledge that over the last few years, all attacks on the property and person of blacks (notably the Paki-bashing assaults) followed stimulation from the Powellite faction of the Conservative Party and the National Front.

To start the diary at the beginning:

(1) The immigration law came into operation on the first of January this year. The Act distinguishes between the right of entry and the right to free employment of white and black people.

(2) The newspapers, prompted by the Home Secretary, began a campaign of propaganda against 'mugging', characterised for the nation as a war of crime in which black youths beat up old-age pensioners and take their money and spectacles off them. Following this, in a nationally publicised trial four black youth were accused of mugging persons unknown and sentenced after a trial in which only police witnesses gave evidence for the prosecution. In March, a judge in Birmingham sentenced a black youth of sixteen to twenty years imprisonment for stealing 30p (six rupees) and five cigarettes in a 'mugging' incident. Again there was widespread newspaper support for the judgment.

(3) Two Pakistani youths were shot by Special Patrol police at India House, and the government spokesman implied that 'foreigners' involved in political action run the risk of losing their lives.

(4) In February a pub owned by a West Indian was burnt down by a fire-bomb a few days after a barber shop in the same area got the same treatment because it caters to African hairstyles.

(5) The chief television channel, BBC 1, gives Enoch Powell a prominent Sunday spot to publicise his views on 'immigration' and the black threat to England, and the sponsors of the programme comfort him with the news that 80 per cent of the public who phoned in supported his views.

(6) Three millionaires begin a campaign within the Conservative Party championing with their money Enoch Powell's candidacy for leadership of the party. With the legislation banning strikes, freezing wage increases and allowing profits to run away under

pressure of Eurodollar speculations, Health has begun the job. The Tory party is beginning to indicate that he is not the one who can complete it. Powell awaits his turn and turns his speeches away from the country's economic crises to the erosion of the British way of life as a result of the presence of blacks.

This diary has to speak for itself. Just as the financing of the Shiv Sena in Maharashtra remained an undeclared but open secret, the financial support for the neo-fascist National Front is also a mystery not too difficult to solve. A clue to its solution is the virtual indistinguishability of the Front's platform on the key issues from that of the Monday Club organisation of the Conservative Party. It is the Front's boast that "the ordinary people of Britain are fed up with dishonest politicians, Conservative and Labour", though this does not stand in the way of accommodating Conservative politicians on their platforms.

Their mindless slogans of 'Britain for the British', 'Humane repatriation for all those of non-British origin', etc; the support from the small-time shopkeepers and landlords for their organisation; their much vaunted identification of exploitation with Jews; their declared admiration for Hitler; all these are part of a familiar scenario. A few Lambrettas, a few bottles of paraffin and a few yards of wick don't add up to a movement. The alarming fact that goes with it, is that the forces of law and order are making no attempt to discredit or annihilate the movement. The state has confined itself in the last year to forming para-military squads of anti-picket police, special patrol groups for immigrant areas and anti-Irish squads in their non-public 'special branch'. The dramas of detection which the courts have staged and the newspapers have publicised, have had as their victims the unorganised personnel on the periphery of the working class movement. The latest of these cases is of a Goan called Tony Soares. The Black Liberation Front to which he belongs runs a newspaper called *Grass Roots*. Tony has just been convicted of 'incitement' because *Grass Roots*, a year ago, copied out a page of the Manual of the Urban Guerilla which instructed readers on how to make Molotov cocktails. He hasn't been sentenced yet as the judge, being presented with a remark in one of his diaries to the effect that Enoch Powell was preparing to attack the black population as Hitler had the Jews, has sent him for psychiatric reports. "Mr Powell would never do such a thing", he said "you're mad to think it."

The UNIDO Guidelines

Bimal Jalan

Guidelines for Project Evaluation, United Nations Industrial Development Organisation, 1972; pp xvi+383.

I

IT is a pity that the publication of these Guidelines, written by Partha Dasgupta, Amartya Sen and Stephen Marglin has been so delayed. The work on these Guidelines seems to have started at about the same time as the work on the OECD Manual on Industrial Project Analysis;¹ however, while the OECD Manual was published in 1968, the publication of the UNIDO volume had to wait until 1972. This delay has had an unhappy consequence. Almost by default, the OECD Manual has come to occupy the pride of place as a guide to social cost-benefit analysis in developing countries. It has already won many adherents, and development economists as well as agencies concerned with project evaluation by now have an enormous amount of intellectual capital invested in this particular method of project evaluation. As a result, it may happen that these Guidelines will not receive the attention that they deserve.

SPECIAL MERITS

Compared with the current favourite — the OECD Manual — the special merits of the UNIDO Guidelines are fourfold.² Firstly, there is a clear recognition in these guidelines that the objectives of different developing countries may differ, and therefore, the considerations that affect the choice of projects may vary from country to country. Thus, it is a gross simplification to assume that the right shadow prices can be derived independently of the country's objectives. This is a refreshing change from the OECD approach where all countries, irrespective of their own objectives, are expected to obey the dictates of international markets for determining the accounting or shadow prices of their goods and services. Secondly, project evaluation is viewed as a means of achieving national planning goals rather than as a preferred substitute for national planning. Thus, the Guidelines state that "a national plan that is a consistent forecast of the future defines a strategy of development, within which project formulation and evaluation are tactical

elements" (p 133). The plan is supposed to set the basic ground rules, whereby "the project formulators and evaluators charged, say, with water resources development know whether to consider projects whose capital outlay total £100 million or £1,000 million over the plan period" (p 132). In the OECD approach, no such restraints exist on the project evaluators; they are the ones who would decide whether £100 million or £1,000 million should be spent on water resources development or somewhere else. The role of planners in this approach is minimal; they are expected to confine themselves to making demand forecasts and guessing how scarcities will change so that project evaluators can do a better job of evaluating projects.

ACTUAL AND PROJECTED POLICIES

A third merit of the UNIDO Guidelines is that the procedure for derivation of shadow prices recommended by them is based on actual and projected policies of governments rather than on an idealised notion of "optimal" policies based on some defunct theoretical model. This, of course, is a reflection of the general viewpoint of the guidelines, that the appropriate realm for project evaluation is the tactical, not the strategic, and that project evaluators should be concerned with knowing what the governments want rather than prescribing what they ought to want.

Fourthly, and perhaps most importantly, in the UNIDO Guidelines, considerable emphasis has been placed on the role of the political leadership, rather than economists and technicians, in making choices which involve value judgments. In contrast to the OECD posture, it is also good to be reminded that "one should not look to benefit-cost analysis as a means of substituting 'objective', 'quantitative' and 'hard' analysis for 'subjective', 'qualitative' and 'soft' judgments, at least not for some time to come. Benefit-cost analysis can sharpen the focus of policy makers' intervention in project evaluation, but it cannot as yet reduce this process to a routine that, once set in motion by appropriate value judgments on the part

of those politically responsible and accountable, would — like the universe of the deists — run its course without further interference from the top" (p 172). The strictures of the guidelines on the role assumed by civil servants and technicians can also, with some justification, be applied to the OECD approach. To quote, "all too often they discourage the political leadership from intervening in what they wrongfully consider to be their own exclusive sphere of competence. They obfuscate the necessarily political nature of the standards that govern benefit-cost analysis..." (p 138).

II

The broad outline of the method recommended in these Guidelines is easy to state. The net benefits of a project are measured in terms of the net contribution that the project makes to aggregate consumption over time. Aggregate consumption is thus the *numeraire*, and all items in a project's account are valued in terms of aggregate consumption. Units of future consumption are discounted at the appropriate social discount rates reflecting the relative value that society places on future consumption *vis-a-vis* present consumption.

SOCIAL OPPORTUNITY COSTS

The estimation of the net aggregate consumption benefit is best carried out in successive stages of approximation. The first approximation is to estimate the net present consumption benefit of a project at market prices. Since net benefit is the value of output minus costs, this requires estimation of the value of goods and services physically produced by the project and costs incurred in achieving that output. Output is defined as goods and services that would not have been available in the absence of the project, and costs are defined as the maximum alternative benefits forgone. In the first approximation, both the output and costs are measured at their market prices on the assumption that market prices adequately reflect social opportunity costs.

The second approximation involves the adjustment of the market prices of specific resources wherever these prices do not reflect the real contribution of the resources to the aggregate-consumption objective. The general principle is to value both outputs and inputs according to the criterion of consumers' "willingness to pay". Thus,

for example, if the output is a consumer good and adds to the supply, the estimation of the amount that consumers will actually pay for this additional supply is a convenient approximation. If, on the other hand, any consumer has a monopoly power in buying, then a correction would be required since presumably the consumer's willingness to pay would exceed what he actually pays. Similarly, with costs, if the use of an input in a project causes a decline in the amount of that input available to the rest of the economy by an equal amount, then the market cost is a convenient approximation to the value of the input. If, on the other hand, inputs are rationed, or if there are monopoly powers in buying or selling at some stage, then suitable corrections would be required.

REQUIRES SPECIAL ATTENTION

Valuation of two items requires special attention, i.e., foreign exchange and labour. In the Guidelines, both these items are also valued at their opportunity costs, estimated according to the criterion of willingness to pay. Thus, for example, if the foreign exchange market is perfectly competitive, the official exchange rate would adequately reflect the domestic willingness to pay. If, however, the official market rates understate the domestic willingness to pay for foreign currencies, then it would become necessary to estimate the true aggregate consumption value, expressed in domestic currency, of a unit of foreign currency. The valuation of labour involves taking into account a number of factors which pull in opposite directions; however, the general principle is the same. If the necessary conditions involving competitive markets can be assumed to hold, the market price, or wage rate, of a particular grade of labour may be taken as an appropriate measure of willingness. If not, labour would have to be valued at a shadow price taking into account the impact of employing a unit of labour on production in the rest of the economy as well as social cost and benefit of present and future aggregate consumption.

After market prices have been adjusted to reflect social opportunity costs, the project evaluator can move on to the third and final approximation to the net aggregate consumption benefits of the project. This consists in taking into account the fact that the social value of funds devoted to investment may exceed the social value of the same funds devoted to consumption. In the

final approximation of net benefits, it is, therefore, necessary to divide the total costs and benefits according to groups of gainers and losers, and to estimate the respective marginal savings propensities of each group. For this purpose, in the Guidelines, three groups of gainers and losers have been distinguished, i.e., the workers, the government and the private sector. The net benefits flowing to these three groups from the project are then divided into proportions that are saved and consumed by each of the three groups. The amount devoted to savings is valued at the shadow price of investment, which reflects the social value of investment relative to consumption. The shadow price of investment (p^{inv}), which is simply the present value of future consumption made possible by a unit of investment, is calculated by taking into account the marginal propensity to save of the economy (s), the marginal rate of returns on investment (q), and the social discount rate (i). The

simple formula is $p^{inv} = \frac{(1-s)q}{1-sq}$

There is, of course, a different p^{inv} for each discount rate; it is also obvious that the higher the discount rate, the lower the shadow price of investment.

BROAD PRINCIPLES

These, in very brief, are the broad principles. The actual calculation of the relevant shadow price is, of course, a much more complicated affair, and the reader is referred to the Guidelines for detailed discussion of the recommended procedure. Incidentally, for arriving at net social benefits, the Guidelines make a careful distinction between "shadow prices" and "weights". The term "weights" is reserved for those national parameters that directly reflected political value judgments. In this category are the weights reflecting judgments about the distribution of income and other objectives that have to be reflected in social cost-benefit calculation. This category also includes the social rate of discount, which reflects the relative weight on aggregate consumption at different times and is, therefore, a proper subject of political choice. Shadow prices, on the other hand, are those prices that require no new value judgments beyond those that are introduced in the definition of weight. Prices of investment, labour, and foreign-exchange belong to this category. For example, once the social discount rate (which belongs to the category of weights) is known, the shadow price of

investment can be calculated without calling for any further value judgment.

The distinction is important because in the UNIDO approach weights are considered as *unknowns* of the problem of project formulation and evaluation, and shadow prices are treated as functions of the unknown weights. Since weights are unknown, project evaluators are supposed to evaluate projects on a number of alternative assumptions regarding weights to be placed on different objectives as well as the social discount rate. The alternatives that are optimal in different ranges of parameter values are then expected to be presented to the policy makers for explicit choice. The task of making the policy makers aware of the critical role of national parameters by spelling out the implications of choosing one variant over another is expected to be performed by the Central Planning Office. This "bottom-up" procedure, recommended by the Guidelines, is to be distinguished from flow of information characteristic of the 'top-down' planning in which policy makers determine shadow prices in advance of project formulation and evaluation.

A SEPARATE OBJECTIVE

In the Guidelines, there is a long discussion of the national objectives that are relevant for project evaluation. Of these, the redistribution objective is considered a separate objective, which has to be given an appropriate weight in project selection. While this objective can be measured in several ways, the measure proposed in the guidelines consists mainly of separating out certain depressed classes or groups and attaching special additional weights to the consumption they enjoy. On employment, the view taken is that additional employment in a country with surplus labour is desirable, but not for the sake of just employing people. Rather, it is desired for the sake of other objectives, such as income distribution and the efficient use of national resources. Thus, the employment goal need not be reflected in project evaluation as a separate objective. Similarly, the objective of self-reliance is also considered a derived objective. The desirability of this objective, therefore, is to be judged not for its own sake, but through its impact on consumption opportunities today and in the future. The shadow price of foreign exchange, in this approach, essentially reflects the contribution that a unit of foreign exchange is likely to make to aggregate consumption rather than to balance of payments.

III

As mentioned earlier, compared with the OECD Manual, the general approach of the Guidelines to the question of project evaluation has much to commend itself. It is, of course, quite possible that on specific points as well as on matters of procedure, one might take a somewhat different view than of the Guidelines. For example, it may be questioned whether, for project choice, it is really necessary to estimate the benefits flowing to three groups of gainers and losers (i.e., the government, the private sector, and the workers), and estimate their likely total savings according to their respective marginal propensities. For one thing, the process of estimation, recommended in the Guidelines, does not go far enough since the variation in marginal propensities within the groups (particularly in the private sector) is likely to be as significant as between groups. This is because the marginal propensity to save of capitalists at any point of time is likely to depend on consumption standards already reached, and will vary as between different classes of entrepreneurs (e.g., big capitalists and new entrepreneurs). More fundamentally, however, the aggregate consumption of capitalists as a group is likely to depend on the share of total private investment in the economy rather than on particular projects undertaken by them. In other words, aggregate private consumption is likely to depend on the size of total assets held in the private sector rather than the form in which such assets are held. Thus, as long as funds released from not investing in a proposed project can be invested elsewhere, it would not matter, insofar as capitalist consumption is concerned, whether that specific project was accepted or rejected.

UNNECESSARY TO DISTINGUISH

It may, therefore, seem unnecessary to distinguish among projects according to whether the benefits flow to the private sector or to the government, particularly if the government itself has the power to regulate the total size of the private sector. If it does not have the power or does not wish to exercise it, as pointed out above, project choice *per se* is unlikely to affect the aggregate private consumption in the economy as a whole. So far as the social cost of workers' consumption is concerned, this can be adequately reflected in the choice of the shadow wage rate without the need for any further ad-

justment. If the above view is correct, one can stop short of the third stage of the evaluation procedure recommended by the Guidelines. The task of project evaluators as a result would become much simpler.

The irrelevance of present-day economics to most problems of human concern has been a matter of some debate in the academic community in recent years. It is unfortunate that these Guidelines, which represent the work of three well known economists, provide further evidence of the emptiness of much of economic theorising on matters of practical policy. Examples of empty theorising abound; what is supposed to be theoretically right usually ends up being practically impossible or unrealistic or both. For example, there is a long discussion on the criterion of willingness to pay and derivation of demand curves for estimation of shadow prices for domestically produced goods used by the project. However, in none of the four case studies included in the Guidelines, does this principle find application. Price adjustments are made for foreign exchange, skilled labour and unskilled labour; however, when it comes to other resources, it is tacitly assumed that all the remaining resources are correctly priced by the competitive market mechanism! Similarly the elaborate procedure for calculation of the value of foreign exchange is based on a number of 'technical' assumptions which are far too numerous to state here. However, what is interesting is that the carefully constructed edifice breaks down totally once imported goods are assumed to be rationed rather than distributed through the market mechanism. If goods are rationed, there is no practical way of imputing willingness to pay — unless once again producers can be assumed to be perfect competitors which, of course, they are not.

WASTED EFFORT

The discussion of shadow wage rate, no doubt erudite, represents another wasted effort insofar as its practical application for purposes of project evaluation is concerned. Three considerations are supposed to determine the shadow price of labour: the direct opportunity cost or the marginal productivity of labour, the indirect cost incurred as a result of the reallocation of resources in favour of consumption accompanying expansion of employment, and the social benefit derived from redistribution of consumption in favour of workers. As the authors themselves emphasise, in our present state of know-

ledge, empirical measurement of any of these factors presents a formidable task. However, undaunted by these difficulties, they proceed to derive formulae for measurement of these factors based on a number of simplifying assumptions. As it turns out, the applicability of the formulae thus derived is limited only to cases where the expansion of public sector employment takes place at the expense of private capital formation and capitalists' consumption. Moreover, even in such cases, the data requirements of the formulae are such that it would be a rare planning agency which can do justice to them. Nor perhaps do the authors really expect it to.

The volume is expected to be read by non-economists. However, the liberal use of the jargon and the highly technical level of discussion are likely to put it beyond the reach of all but the most assiduous. Not many policy-makers or project evaluators are likely to survive a sentence such as "switching values of national parameters defined by zero values of these co-efficients (of choice variables) divide the range of national parameters into sub-ranges that indicate the relative importance of various objectives implied by the choice of one project variant over others" (p 147). There is also no step-by-step summary and outline of the proposed method; the only place where one can find a concise statement is in the case studies. As a guide to the method, the case studies are, however, inadequate because they do not go into the question of derivation of appropriate shadow prices, which is the main object of discussion in the book.

Nevertheless, the book is an important contribution to the economics of project evaluation. In particular, it should be compulsory reading for project enthusiasts in the aid agencies, and economists in development centres and advisory services abroad.

Notes

- 1 I M D Little and J A Mirrlees, "Manual of Industrial Project Analysis in Developing Countries", Volume II, "Social Cost Benefit Analysis", The Organisation for Economic Co-operation and Development, Paris, 1968.
- 2 For a critical evaluation of the OECD Manual, see the author's article, "The Little Mirrlees Manual: An Evaluation of Its relevance for the developing countries", *Economic and Political Weekly*, Annual Number, February 1973.

Growth and Social Justice

Political Economy of 'Garibi Hatao'

K R Ranadive

If the debate over the so-called 'New Economics' underlying the 'Garibi Hatao' programme has failed to shed much light, it would seem to be primarily for two reasons: (i) the problem involved has been wrongly posed as growth versus justice, and, (ii) it is hoped that by "standing economic theory on its head" a simple solution to the problem can be obtained.

This paper seeks to analyse the relationship between growth and social justice and to discuss the relevance of existing economic theory to this relationship.

While the focus is more on the theoretical issues involved, the discussion is related to the current Indian situation.

"With most problems nowadays the economic answers are only political questions" — Joan Robinson: "Collected Economic Papers, II".

INDIA'S uncanny capacity to coin slogans has secured international recognition. With the President of the World Bank putting his seal of approval on the latest addition to the stock of slogans which we have accumulated over the last two decades, the latest one of 'Garibi Hatao' promises to become the epitome of policy goals for the world at large.

The so-called 'New Economics' underlying the 'Garibi Hatao' programme seems, however, to have thrown many into complete disarray.¹ The debate which has been going on in this area has created more din than was called for. If it has failed to shed as much light, it would seem to be primarily for two reasons: (i) the problem involved has been wrongly posed as growth versus justice and (ii) it is hoped that by "standing economic theory on its head" a simple solution to the problem can be obtained. The present paper seeks to analyse the relationship between growth and social justice and to discuss the relevance of the existing theory to this relationship. While the focus is more on the theoretical issues involved, the discussion is related to the current Indian situation.

ABOUT 'NEW ECONOMICS'

Discussion about 'New Economics' is now bound to appear as flogging of a dead horse. Those concerned with planning and economic policy have already given it a decent burial. After having created the impression — quite erroneously — that it was time to rectify the overemphasis on growth in the

earlier plans, Yojana Bhavan has adopted a more sober posture. The new Approach Paper, prepared under the stewardship of the new Planning Minister, pointedly states that "growth and equality are both indispensable to a successful attack on mass poverty" and "it is inadmissible to ignore or underplay either factor."² Rehabilitation of conventional wisdom should provide solace to those disturbed souls who were worried that growth was being played down in the name of promoting social justice. The anti-growth lobby need not, however, bemoan the premature death of 'New Economics' because the latter was anyway a still-born babe. If anything was premature, it was the christening of it as 'New Economics'.

Neither the Prime Minister's address at the Annual Meeting of the FICCI³ nor the first Approach Paper⁴ submitted by the Planning Commission to the National Development Council denigrated growth as such. To say that "Growthmanship which results in undivided⁵ attention to the maximisation of GNP can be dangerous" and "increase in the GNP must be considered only as one component of a multidimensional transformation of society" (as the Prime Minister did) or that "elimination of abject poverty will not be attained as a corollary to a certain acceleration in the rate of growth of the economy alone⁶ (as the Approach Paper did), is merely to imply that growth is necessary but not sufficient for promoting the ends of justice. If the novelty of 'New Economics' is seen in explicit recognition of this obvious fact, we must all be said to be suffering from short memories. The First Plan had clearly stated that "the elimination of poverty cannot, obviously, be achieved merely by redistributing existing wealth.

Nor can a programme aiming only at raising production remove existing inequalities.⁷

How valid is the assertion that growth was overemphasised in the earlier plans at the stage of formulating the approach? Given India's commitment to the goal of economic and social justice, those entrusted with formulating plans could never opt for maximisation of GNP as an end in itself, leave alone as the only end. Differences in wording apart, the objectives of economic policy have reflected the interpretation put by the First Planning Commission on the Directive Principles of State Policy — viz, to create "an economic and social order based on equality of opportunity, social justice, the right to work, the right to an adequate wage and a measure of security for all citizens."⁸ Development along socialist lines was expected to secure "rapid economic growth and expansion of employment, reduction of disparities in income and wealth, prevention of concentration of economic power and creation of the values and attitudes of a free and equal society".⁹

That actual results belied these intentions is a different matter altogether. It is, of course, not uncommon to assess India's growth performance during the two decades of planning in terms of aggregate or per capita growth indicators. This is the global counterpart of individual precept: Better to count your blessings than bemoan your misfortunes! Yet, in terms of the criteria implicit in the overall policy objectives underlying India's development plans, the performance has to be judged as unsatisfactory. The rise in the share of the higher income groups both in income and consumption, the increase in the proportion of population below the 'poverty line', the growth of cons-

picious consumption on the part of the rich, the increase in the concentration of economic power in the non-government corporate sector, all point to an unequivocal conclusion that 'social and economic justice' has remained an unfulfilled promise.

It is essential to bear in mind that the Indian experience during the last two decades is not unique but conforms to the global pattern. The experience in many developing countries has clearly shown that concentration on economic growth objectives — maximisation of per capita GNP — does not subserve desirable social aims such as (i) provision of productive employment opportunities for all those seeking work, (ii) elimination of abject poverty by raising the minimum living standards, (iii) narrowing of income disparities and (iv) reduction of concentration of wealth and power. The Secretary General of the United Nations was constrained to observe in the 1970 Report on the World Social Situation that "although the per capita incomes rose in all regions during the United Nations Development Decade, social conditions have generally deteriorated and social policies have frequently failed to bring about improvements in mass levels of living, or to meet new social problems."¹⁰ As is to be expected, the reaction to this experience, not only in India but elsewhere also, has been that we should strive for growth with justice. This is the rationale for the emphasis on the needs of the poorest strata of the population.

OLD WINE IN OLD BOTTLE

To seek the novelty of 'New Economics' in the emphasis placed on the needs of the poorest strata of the population — "a direct attack on the problem of unemployment, underemployment and massive low end poverty"¹¹ — is to succumb to the weakness, not uncommon in underdeveloped countries, to take pronounced intentions too seriously. Having won a massive mandate from the people on the basis of a programme with 'Garibi Hatao' as the centrepiece, the ruling party has no option but to make that appear the main thrust of the Fifth Five-Year Plan. A closer scrutiny of the contents of the present anti-poverty programme, however, clearly shows that it does not represent a radical departure from what was attempted in the earlier plans.

The contents of the present anti-poverty programme may be summarised as: (i) provision of employment opportunities so that the poor have incomes, (ii) gearing the pattern of investment

and composition of output to the consumption pattern of the poor, (iii) ensuring the availability of the basic elements of consumption at stable prices, and (iv) provision of social consumption, i.e. education, health nutrition, etc. It is difficult to label all this as in any sense innovative or new, since all these ingredients were very much there in the earlier plans.¹² If the present anti-poverty programme is much more massive than similar programmes in the earlier plans, so is the total size of the plan. The Approach Paper itself admits that the anti-poverty (i.e. the employment generating and social welfare) programmes, though "very important from the point of view of social justice, would nevertheless be a comparatively small part of the total plan".¹³

The very fact that the planners have felt the need to reiterate with greater emphasis the contents of the earlier plans, reflects their awareness that achievements have fallen short of intentions. Yet, the implied suggestion that this was due to resource constraint not only must fail to carry conviction but must cast serious doubt on the feasibility of the programme which is now being proposed. The general assertion made by the Commission, that "the economy has now reached a stage where larger availability of resources makes it possible to launch a direct attack on unemployment and underemployment and poverty, and also ensure adequate growth", (emphasis added) has hardly any firm foundation as even a casual perusal of the Mid-Term Appraisal would clearly indicate.

For that matter, the debate on the issue has also revealed inadequate appreciation of the basic problem involved. To some, the relationship between growth and justice is a non-issue and what is at stake is the "time pattern of growth in GNP". This fails to bring out the complex relation between intertemporal distribution and distribution at a point of time. To some, the conflict is primarily to be attributed to "crash modernisation strategy" followed in the developing countries with the consequent "productivity disparity between segments of the economy which has no historical parallel".¹⁴ To still others, what was wrong with Indian Planning was not "the overall approach and strategy of development" but the failure of the planners "to work out the operational policies, programmes, and projects" and of the political and governmental machinery "to carry out their own appropriate tasks in the development process".

The debate over the so-called 'New

Economics' has provided ample proof to strengthen Marx's contention that "vulgar socialism (and from it in turn a section of democracy) has taken over from bourgeois economists the consideration and treatment of distribution as independent of the mode of production and hence the presentation of socialism as turning principally on distribution".¹⁵ The answer to the question "Is there a conflict between growth and justice?" is "It depends" — because the relation between the two is not independent of the institutional structure of economy. "Any distribution whatsoever of the means of consumption is only a consequence of the distribution of the conditions of production themselves. The latter distribution, however, is a feature of the mode of production itself. ... If the elements of production are so distributed (i.e. they are in the hands of the non-workers in the form of property in capital and land), the present day distribution of the means of consumption results automatically."¹⁶

It may be conceded that ingenious fiscal policies could be designed to alter the market determined distribution by taxation and/or subsidies, so as to reconcile the requirements of growth and justice. It is futile, however, to ignore the basic difference between economies where the level of employment and the distribution of income are determined by institutional and legislative decisions and the "mixed" economies where the discretionary planning powers of the government have ultimately to affect the strategic variables through the diffused workings of the price mechanism. Multiplicity of policy instruments, simultaneously operated, often produces results contrary to what is intended. More basically, democracy does not permit choice of hard options and the soft ones which are chosen are implemented more by default. As a result, the economic laws of the system assert themselves, notwithstanding the gamut of policy instruments.

This is precisely what has happened in India during the last two decades. Faulty legislation and inefficient implementation in the field of taxation have given to "the standard rates of [income] taxation a spurious role in public life" and failed to reduce post-tax incomes of the higher income groups. Increase in incomes has not led to rise in savings but has pushed up consumption levels of those for whom they were already high (implying that savings constraint was underestimated). As a result, the demand pattern implicit in the income structure, widened by the development process, has asserted itself in spite of

is it because of?) capital issue control and licensing policy. Output-mix is shifted not only in favour of output-producing capacity but also in favour of low-priority consumption goods and capital goods directly and indirectly needed for their production. The low-priority consumption goods, being the type consumed in the Western countries, have involved use of modern technology. The result has been low rate of growth of employment, higher turn to physical and human assets, and talk of draft on scarce foreign exchange and continued domination of the developed countries involved in the port of foreign technology.¹⁷ At the other end, availability of food has proved the major constraint on the growth of non-agricultural employment. The prices of food of coarser varieties have risen relatively faster, to the detriment of the lower income groups.¹⁸ While in the pre-1965 period, this may be attributed to the limited possibility of increasing food production in a situation of technically stagnant agriculture, the increased availability of food in the post-1965 period has not brought about a reduction in food prices. The 'big farmer' bias has made mockery of the Agricultural Prices Commission and belied the implicit assumption of the received economic theory that "the state is an impartial arbitrator, not committed to any particular class or group." The continued faith in the policy instruments to ensure both growth and justice, which is implicit in 'New Economics', suggests that the implications of the experience of the last two decades have not yet been fully grasped. The economics of 'Garibi Hatao' is not only the same old wine but in a new bottle. If anything, the alcoholic content of the wine must be found to have been slightly reduced! There has been a subtle change in the policy goals — less emphasis on reducing income inequality and more on relieving poverty.¹⁹ The Approach Paper categorically states that "when we talk of the elimination of poverty as a goal of development, what we have in mind is not the relative concept but a notion of what could reasonably be considered as an absolute level of poverty." The poor and the consequences of poverty tend to attract greater attention than the rich and the sources of poverty even in richer nations. That they should attract all the attention in a poor country, where poverty is far more pervasive and appalling, is inevitable. Yet this cannot justify concept of poverty in terms of absolute subsistence standard.

Without denying the fact of absolute poverty, it should be obvious that every generation's poor are those that are below the average standard of living. Such a concept of poverty has an additional advantage. The basic reason why the last 20 years have witnessed a lengthening shadow between promise and fulfilment of social and economic justice is inequality of incomes and wealth and the consequent concentration of economic power. The relative concept of poverty, in the sense of percentage of population below average income, acquires an added significance as it serves at the same time as a measure, even though the crudest one, of inequality of incomes.

NECESSITY FOR GROWTH IN A POOR COUNTRY

While all the excitement over the so-called 'New Economics' has been much ado about nothing, the basic question involved, viz, the relationship between growth and justice, cannot be written off as a non-issue. It is very much an issue and an old one too. The necessity for 'growth' in a poor country can hardly be a matter of debate. This self-evident point needs to be laboured because the anti-growth lobby is likely to be erroneously interpreted as reflecting the environmental theorists' concern for ecological balance. The growing revulsion against 'growth' in the developed countries²⁰ has been reflected in many preferring to interpret GNP as Gross National Pollution instead of Gross National Product and in some suggesting use of Gross National Welfare in place of Gross National Product as a maximand. The developed countries have certainly moved far away from the early days of development in the United States when Walt Whitman wrote lyrically of the cheerful sight of smoke pouring from industrial chimneys!

More importantly, there has also been a good deal of speculation about whether growth, even if wanted, is in fact possible for very much longer.²¹ The computer-based 'vision' of the limits to growth on this planet within the next 100 years does not, however, imply fear of the advent of 'Stationary State'.²² Rather, it implies hope that mankind would soon realise the need — and the sooner it does so, the greater the chances of success — to strive for "a controlled, orderly transition from growth to 'global equilibrium'" (with population and production in carefully selected balance). The only snag in this 'vision' of a "society in which [man] can live indefinitely on earth"

...with the state of 'global equilibrium' so designed that the basic material needs of each person on earth are satisfied and each has an equal opportunity to realise his individual human potential" (emphasis added) is its feasibility. After all, this must entail a significant change in the existing power structure, not only within countries but also between countries; and therein lies the rub.

Developing countries can, of course, learn a lot from the problems which the developed countries are facing today as a result of their singleminded dedication to high growth rates over the years. For instance, decentralisation of industrial capacity to avail of the natural capacity of the environment to absorb and dissipate wastes at a lower level of damage can be accepted, even if it implies from the short run point of view some loss of potential output because of less 'efficient' resource use. Yet the immediate environmental problem of the poor countries is that of poverty itself.²³ The pollution is caused not by industrial wastes but by the fact that a vast mass of population is condemned to their permanent ghettos of hunger and malnutrition, squalor and misery, disease and decay. In a country like India where 40-50 per cent of the population have incomes below Rs 20 per month (at 1960-61 prices) and 70 per cent are below the average income which itself is low by any standard, no serious economist can question the necessity for both larger and growing output. Nor can the role of the state in ensuring this, whatever its implications for choice for the privileged few, be denied.²⁴

'GROWTH' NOT SUFFICIENT

Yet it is equally futile to deny that growing output need not necessarily promote the ends of justice. The question "Is there a conflict between growth and justice?" cannot be answered unequivocally unless one spells out what is 'growth' and what is 'justice'. Except in a one-commodity world, there is no unambiguous measure of size of national income. A heterogeneous collection of goods and services cannot be added in physical units but only aggregated in value terms. Aggregation in value terms involves use of existing prices which reflect existing distribution of income (itself a consequence of distribution of ownership of given productive resources which are sources of income) and the demand pattern implicit in it. To infer from the fact that "since all consumers purchase at the same or at least similar prices"...there is a community marginal rate of substitution between every

pair of commodities and that is equal to the ratio of their prices"²⁵ involves "illicit aggregation" because it implies that there is social consensus in what is produced independently of distribution. Unequal ownership of 'corn' which can be used to produce bread or cake results in more cake and less bread being produced by altering the relative prices because (i) either the rich prefer cake to bread (and the resource allocation conforms to their preference pattern which exerts greater weight) (ii) or bread is an 'inferior' commodity (resource allocation is affected by differences in income elasticities of demand). If more bread and less cake were produced, there would be an effect, *ceteris paribus*, on relative prices favourable to bread consumers and hence to the poor.²⁶

Thus production and distribution are two different aspects of the same process not merely in the sense that in the very process of production incomes are generated and distributed. Production and distribution are interdependent in a more fundamental sense, viz, distribution determines what is produced and by whom it is determined. The size-distribution dichotomy — and consequently the separation between productive efficiency and distributive justice — has no theoretical basis.

This has implications for the concept of justice itself. The value premise underlying objective of social justice has to be "all men are equal". As such, they have a 'right' to equal opportunities not only in their narrow economic pursuits but more broadly in the fulfilment of their personality. The underlying value premise of justice is thus not maximum aggregate welfare but right of every individual to equal opportunity. Justice, therefore, needs to be interpreted as fairness and not as a "kind of efficiency" as the economists trained in the utilitarian tradition implicitly do. Justice as fairness has its roots in some kind of social contract — fictitious, no doubt — in which parties seek a "just" aggregation or resolution of their individual interests by a "firm commitment in advance" on "principles of appraisal" by "free persons who have no authority over each other".²⁷ The case for equality of incomes ceases then to be uneasy as it has been in the utilitarian tradition. Absolute equality may not be feasible, but it is only with concept of justice as fairness and as an end in itself and not as a means to promote general welfare that measures promoting equity are likely to have a fair chance. While a poor country can ill-afford the luxury of inefficient use of re-

sources, efficiency becomes relative to the distributive goals explicitly accepted.

The interdependence between size and distribution is even more complex in the context of 'growth'. When it is asserted that growth is necessary for promoting the ends of justice, the implied reference is to growth of output-producing capacity and the implied model is a two-sector model — one producing a consumption good and the other a capital good which can be used in the production of both. Assuming that (i) the poor have income only from work and the rich get composite income, i.e., income from work and the whole of the income from ownership goods, and (ii) the poor do not save and the rich do not consume, even to maintain the population at the same level of living standard, a part of the resources have to be devoted to 'maintaining capital intact' (unless one makes an additional unrealistic textbook assumption that the capital goods last forever!). To maintain a growing population at a rising level of living, distribution of resources has to be shifted even more in favour of the capital goods sector. This is essentially a problem of intertemporal distribution: less output of wage goods 'today' in favour of more output 'tomorrow'. If the employment potential of the capital goods sector is lower than that of consumption goods, the choice involved becomes equivalent to a choice between less employment 'today' in favour of more employment 'tomorrow', and even this has implications for distribution of real income among the existing poor shifting as it does against those who fail to get employment.

It is true that the society should not be myopic like individuals and therefore should have a longer time horizon and a lower rate of discount. Yet, even the society cannot have infinite time horizon and/or a zero rate of discount. The latter because even the planners may have to give a little more weight to the living than to the unborn — not because the latter have no votes but because the poverty of the former is too appalling to be ignored. The infinite time horizon is ruled out because the system cannot be geared to "build more mills that should make more mills forever".²⁸ Growth of output-producing capacity is for production of consumer goods and the most relevant question is, what type of consumption goods the capacity is being increased for.

This exposes the additional limitation of the two-sector model, viz, the assumption that the rich do not consume. Not only do the rich consume

but their consumption basket is different from that of the poor. Even if they save more, saving is mainly saving to spend later. If the growth process increases the incomes of the rich at a faster rate than the incomes of the poor — as it actually does, if assets are privately owned, because the shift in the sectoral distribution of labour force and in the composition of output increases the return to physical and human capital relatively to human effort²⁹ — the desired consumption baskets of the two become even more differentiated (in terms of the weight of 'luxury' products) because of differences in income elasticities of demand for different consumption goods. What we need, therefore, is a three-sector model: (i) sector producing consumption goods for the rich, (ii) sector producing wage goods for the poor, and (iii) sector producing capital goods (which can be used in the production of any of the three goods). The model can be easily extended to *n* sectors to allow not only for many consumption goods but also for capital goods directly and indirectly needed for production of various consumption goods. What has to be planned is not growth of productive capacity but the composition of consumption goods in the production spectrum — consumption profile over the time horizon (each consumption good sector being vertically integrated to include capital goods directly and indirectly needed for its production).³¹ The interdependence between size and distribution is complex in the context of growth, essentially because the problem of intertemporal distribution is intertwined with that of distribution at a point of time. Emphasis on rate of investment independently of pattern of investment, on rate of growth of GNP independently of content of GNP, is mainly responsible for clouding the understanding of relationship between growth and justice. To reconcile the two, what is needed is not only 'saving squeeze' but 'consumption twist'.

All this, of course, sounds very trite. But then economists should be the first to admit (if they are honest) that most of the time what they talk, shorn of technical jargon, is so. Economics, after all does not admit of spectacular discoveries. As Pigou said a long time ago, "it does not shatter atoms or weigh stars". In the context of our discussion, what seems trite needs to be elaborated because many of us seem to miss the full implications of ignoring the 'distribution-consumption-production' nexus. Of course, economists are no less prone to hum popular tunes than others.

Growth with social justice having become the catchword of the day, the most popular theme to talk and write about today is composition of output and content of growth (with 'composition' and 'content' italicised!). If, however, a bewildered would-be Ph.D. aspirant, vainly looking for a subject for his dissertation, were to opt for "Two Decades of Planning", he would have a different story to tell.

PLANNING MODELS

Planning models which provided the framework for successive Five-Year Plans in India — whether as "post-facto" rationalisations of investment decisions taken on political grounds" or explicitly designed as basis for plan formulations — ignored effectively the heterogeneity of consumption goods. If the Harrod-Domar type exercise of the First Five-Year Plan explicitly involved concern for 'saving squeeze' only, the Feldman-Mahalanobis type of structural model of the Second, with its emphasis on 'transformation' constraint and the supply of capital goods, involved implicitly the assumption that there would be no difficulty in ensuring the 'saving squeeze'.³² The more sophisticated intertemporal-multisectoral models developed during the period of the Third Plan by Chakravarty, Eckaus, Lefebvre and Parikh (CELP), were designed to work out "the logic of an intertemporally consistent multi-sectoral planning model" dealing with "optimisation over time". They still failed to work out even a logical solution to the problem of reconciling growth with justice because they assumed "consumption of constant composition" in each period which, in effect, implies one consumption good. As one of the authors of the model himself admitted "clearly the assumption of a fixed-consumption pattern, in turn, implies the CELP model assumed identical, constant returns to scale tastes for each individual, thus ruling out explicit consideration of the question of the effects of changes in income distribution on consumption patterns".³³ Even the wage-goods approach, embodied in Vakil-Brahmanand model (offered as a rival to Mahalanobis model), with its emphasis on the need to minimise the time required to attain full employment, failed to take account of the full implications of the existing income inequality for output-mix. It was assumed that until the attainment of full employment "real wages [would be] held to the minimum possible" and that luxury consumption would be prevented.³⁴

The Indian economists were, of

course, in good company. The prophet of 'New Economics' Mahbub ul Huq, whose piece in *Insight*³⁵ has triggered off the discussion, had categorised "the heart of the growth problem [as lying in] maximising the creation of surplus".³⁶ His concept of 'socially Necessary Rate of Growth' required the plan size to be adequate to (i) maintain per capita income, (ii) absorb net current additions to labour force during the plan period, (iii) keep the country abreast of its underdeveloped neighbours in its economic race with them, and (iv) maintain the momentum of development and lead to a self-sustained rate of growth in the long run.³⁷ While Haq recognised the deficiency in Pakistan's long-term growth model insofar as it remained "entirely divorced from demand analysis" (which was attributed to "the complete absence of basic data"),³⁸ that this implied that the required 'consumption twist' became an unknown variable was not realised. This was essentially, however, because Haq started on the wrong foot when he asserted that "it is... immaterial who owns the surplus — whether 'the capitalist' as in a free enterprise economy, or 'the state' as in a communist economy".³⁹ No distinction was drawn between 'creation of surplus' and 'realisation of surplus', because the success in ensuring the required 'saving squeeze' was taken for granted. Not only was inequality of incomes considered as providing potential for raising the average saving ratio but the danger in "redistributing incomes in the name of social justice" from the viewpoint of realisation of surplus was clearly pointed out.⁴⁰ Mahbub ul Huq of 1963, who maintained that "a philosophy of growth [makes it necessary to] shelve for the distant future all ideas of equitable distribution and welfare... [that] these are luxuries which only developed countries can afford" or that "growth philosophy demands that the expenditure on the provision of social services should be given less emphasis",⁴¹ is certainly different from Mahbub ul Huq of 1972. The most important gain from working in International Organisations seem to be the opportunity of 'Learning by Seeing'!

It may be said in defence of Huq that insofar as "planning in Pakistan [had] not proceeded... within the framework of any definite political philosophy"⁴² the "philosophy of growth" underlying the strategy of planning he elaborated could be regarded as a "technical exercise". Huq himself realised that "planning cannot proceed indefinitely in such a philosophical vacuum"

and suggested that "the Third Plan [should be] within the framework of a more socialistic philosophy than the previous two Plans".⁴³

The Indian economists, however, had no justification for ignoring the likely conflict between growth and justice, given the explicit commitment to the goal of economic and social justice in the plan framework. It could, of course, be argued in their defence that they interpreted the "development strategy" broadly to cover "the whole complex of policies by which government can influence the form and rate of economic development": import and investment licensing, fiscal policy, exchange control, labour and wage legislation, credit schemes, interest rates, public sector projects, and so on. After all, the planners had shown sufficient awareness of "changes in the pattern of economic activity" as "development alters the level as well as structure of demands and supplies [which in turn] changes the allocation of resources".⁴⁴ They had also provided various policy instruments to make the chosen strategy compatible with the basic objectives. In all good faith, the economists expected them to be operated effectively. True to their creed, not only did they take the institutional structure as given but ignored the constraints it involves for successful operation of policy instruments which run counter to the rules of the game of the existing system.

More surprising has been their reluctance to take cognisance of this crucial factor even in their *ex post* assessment of the performance of the Indian economy during the two decades of planning. It is not uncommon to assess India's growth performance during the two decades of planning in terms of aggregate or per capita growth indicators and find it "impressive". It would be difficult, however, to deny that in terms of the ultimate objectives, the performance has been far from satisfactory. Yet the economists have not even felt the need to use 'shadow prices' in calculating the rate of growth of GNP, although they use the concept in formulating planning models despite the fact that in that context "it begs a number of questions and recreates a spurious impression of objectivity".⁴⁵ If in calculating the growth rate of national income, they were to 'inflate' the 'implicit deflator' to make allowance for the higher rise in price of food, particularly coarse foodgrains, and put zero valuation on the growth of output of 'luxury' products — because of their being outside the spectrum of planned

consumption profile — the 3.6 per cent annual rate of growth of national income during 1950-51 to 1970-71 would turn out to be very much lower. It would be wrong to infer that there has been less justice because there has been less growth. As conventional measure of growth rate of GNP is irrelevant and needs to be replaced by one which embodies the relative social significance of different goods and services in terms of the ultimate goals of policy, the correct inference would be the reverse: there has been less growth because there has been less justice! This is not semantics for it implies that in plan formulation growth rate *per se* is irrelevant. The insistence on working out the overall rate of growth in the Fifth Five-Year Plan reflects, therefore, concern for an irrelevant magnitude, which is logically unwarranted (unless it is a sop to the growth lobby!).⁴⁶ If Economics of 'Garibi Hatao' cannot throw off the shackles of conventional wisdom even to this extent, it certainly has a dubious claim to be called 'New Economics'!

RELEVANCE OF EXISTING THEORY

The hope that a simple solution to the problem of growth with justice can be obtained by "standing economic theory on its head" is naive. There is already a growing scepticism about the "relevance" of "western economic theory" to explain "the variation in the wealth of nations" or analyse the problems of underdeveloped countries.⁴⁷ The more basic question, however, is, where is the economic theory which is to be stood on its head.

None of the existing growth-distribution theories is adequate to explain the complex relationship between intertemporal distribution and distribution at a point of time which is the crux of the problem of growth with justice. The neoclassical theory which purports to provide "an impersonal and politically neutral solution to what was for Ricardo 'the principal problem in political economy'" fares, of course, the worse. This is not only because its implicit assumptions cannot bear close scrutiny but because, in extending its microeconomic concepts to macroeconomic field, the concept of Capital-in-General shows itself as a broken reed. While the 'value of capital' — varying as it does with wage rate and profit rate — is neither useful nor necessary to determine technical choice, the concept is necessary to understand the distributive implications of growth process in an economy where capital goods or the claims to them are privately owned.

But what determines wage rate and profit rate? Whatever the justification in steady state growth models for assuming either the real wage or the profit rate to be exogenously determined,⁴⁸ for the problem in hand, the approach has nothing to recommend it. Nor is there any justification for assuming uniform profit rate as is done in the context of the theory of long term normal prices. Imperfections in product and 'factor' markets need to be specifically taken into account to understand the changing structure of prices, which is one of the variables determining the distribution of real income.

The most serious limitation of the existing growth-distribution models is their assumption that all sectors grow at a uniform rate implying the existence of a composite commodity of fixed and invariable composition through time. The deficiency cannot be got over merely by assuming non-proportional expansion of *per capita* demand for different commodities with increase in *per capita* real income in accordance with Engel's Law.⁴⁹ This may be adequate to take account of structural changes inherent in the growth process and of sensitivity of relative prices to changes in pattern of demand. It still leaves out two crucial elements: (i) that output-mix at a point of time is a function of income distribution and the pattern of demand implicit in it and (ii) that shifts in output-mix are affected by changes in income distribution resulting from the process of growth itself.

This is the "Second Crisis of Economic Theory" which the saddened Joan Robinson — her anguish all the greater because of the "throne of superfluous economists" she sees around her — talks about in her Ely Lecture. "The first crisis arose from the breakdown of a theory which could not account for the level of employment. The second crisis arises from a theory that cannot account for the content of employment".⁵⁰ The received doctrine has no solution to offer to the growth-justice riddle!

BEYOND ECONOMICS

The two crises are, however, very much related. The reason why the first crisis has yet not been resolved is precisely the one why the second has come up. Arguing against the prevailing orthodoxy, it was natural that Keynes should have tried to prove that government expenditure could increase the level of employment. The actual operation of the "Keynesian" policies has clearly shown that "what employment

should be for... which primarily concerns the allocation of resources between products but... is also bound up with distribution of products between people" is as important as level of employment. On the one hand, high level of employment, maintained through government spending on armament production, has "turned into a nightmare" Keynes's "pleasant daydream" of exhaustion of the need for investment, euthanasia of rentier, elimination of poverty, and civilised life for all. On the other hand, the problem of maintaining near full employment without inflation has defied solution because at the heart of it lies the question of the sanctity of the existing distribution. The apparent economic answer to the problem of level of employment has turned out to be a political question!

The reason why received economic theory has no answer to the distribution puzzle is not far to seek. Theory which accepts the institutional structure as given and assumes if not identity of interest, at least social harmony — in the sense that there are "no irreconcilable conflicts of interest between social groups" —, is naturally ill-equipped to provide the answer. The main run of economic theory has been characterised by "a strange lack of power considerations". The neglect of the role of power can be made good only by going beyond the narrow confines of economics. While "movement along our narrow specialised trails" offers prospects of elegant results, "economics as a separate science is unrealistic, and misleading if taken as a guide in practice. It is one element — a very important element, it is true — in a wider study, the science of power" (Bertrand Russell). If the plea "to stand economic theory on its head" provides inspiration to tackle the problem of growth and justice in a wider perspective, it would serve a useful purpose. Else, merely redefining the development objectives without analysing institutional structure, property relations, and sources of power, is a meaningless exercise. Any attempt to graft a 'Chinese' solution on an 'Indian' economy is foredoomed to prove futile.

NOTES

- 1 As a singular exception, reference may be made to the paper 'What is Growth — Some Thoughts on the Economics of 'Garibi Hatao'' by C. T. Kurian in *Economic and Political Weekly*, Volume VII, Number 52, December 23, 1972, pp 2493-2497.
- 2 Approach to the Fifth Plan. Emphasis added.

- 3 Address at Inauguration of FICCI, March 25, 1972.
- 4 Planning Commission: Towards an Approach to the Fifth Plan, Paper presented to the National Development Council, June 1972. and 6 Emphasis added.
- 7 First Five Year Plan, Government of India, Planning Commission, p 6. Emphasis added.
- 8 First Five Year Plan — A Draft Outline, Government of India, Planning Commission, p 11.
- 9 Third Five Year Plan, Government of India, Planning Commission, p 9.
- 10 Foreword to Budget Estimates for the Financial Year 1972, United Nations. See also International Labour Office, "Towards Full Employment: A Programme for Columbia", Geneva, 1970, and David Morse, "Unemployment in Developing Countries", *Political Science Quarterly*, March 1970.
- 11 Towards an Approach to the Fifth Plan, *op cit*.
- 12 See First Five Year Plan, *op cit*, pp 24, 40, 42, 424. Second Five Year Plan, Government of India, Planning Commission, pp 27, 39-40.
- 13 Towards an Approach to the Fifth Plan, *op cit*.
- 14 Keith Marsden, "Towards a Synthesis of Economic Growth and Social

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4 Sociology-Social Anthropology Department of Anthropology and Sociology University of Saugar Sagar (MP) 470003	Dr Leela Dube	Nov. 5 through Dec. 1, 1973 (4 weeks)
5 Social Work Tata Institute of Social Sciences Sion-Trombay Road Bombay-88.	Mr P. Ramachandran	June 3 through June 30, 1973 (4 weeks)
6 Human Geography Institute of Development Studies University of Mysore Manasagango-tri Mysore-6.	Prof. R. P. Misra	October 1 through 27, 1973 (4 weeks)
7 Political Science Deptt. of Political Science, Rajasthan University, Jaipur	Prof. Iqbal Narain	Date to be decided (6 weeks)
8 Data Processing Council for Social Development, Lodi Estate New Delhi	Dr B. N. Mukherjee	October 5 through 20, 1973 (2 weeks)

Selected candidates will be paid for their travel; their boarding and lodging will be free. Please write for the application form immediately to:

Professor Yogesh Atal
Director: Division B (Trg)
Indian Council of Social Science Research,
IIPA Hostel, Indraprastha Estate
New Delhi-110 001

- Justice' *International Labour Review*, Volume 100, July-December, 1969, pp 389-418.
- 15 Karl Marx, "Critique of the Gotha Programme", Progress Publishers, Moscow, 1971, p 18. Emphasis added.
- 16 *Ibid*.
- 17 For implications of shift in output-mix to non-essential consumption, See Bharat R Hazari, (i) 'Import Intensity of Consumption in India', *Indian Economic Review*, 1967 and (ii) 'Non-Essential Consumption: Implications for Resource Use', *Economic and Political Weekly*, March 29, 1969.
- 18 See Report of the Committee on Distribution of Income and Levels of Living Part II, pp 32-33 and pp 110 and 113.
- 19 Alternative variants worked out for the Fifth Five Year Plan are based on assumed reduction in consumption inequality. This would imply that either the tendency for income structure to widen, which is inherent in the growth process, is underestimated or it is assumed that the saving ratio can be stepped up.
- 20 As representative examples, reference may be made to E J Mishan: "The Costs of Economic Growth" and J K Galbraith: "The New Industrial State".
- 21 See "The Limits to Growth" by Donella H Meadows, Dennis L Meadows, Jorgen Panders and William W Behrens.
- 22 There is, of course, a school of thought, closely identified with John Maddox, editor of the British magazine *Nature*, which vehemently challenges the 'Doomsday Prophets'.
- 23 This would be in keeping with the view Boulding has been presenting for a long time, viz, "Environment is simply part of the capital stock of human welfare.... Consequently, when we are evaluating the environment, we are also evaluating man himself as part of a total system.... Unless there is a 'public', i.e, unless the people who share the enjoyment of public goods and the distress of the public bads (emphasis added) constitute enough of a community to permit public action... public bads will not be disposed of adequately... The presence of pollution is a symptom of the absence of community". See Kenneth, E Boulding: Discussion: "The Political Economy of Environmental Quality", *The American Economic Review, Papers and Proceedings*, May 1971, pp 168-69.
- 24 Familiarity with affluence may also breed, if not contempt, ennui, at least with the mode by which it is ensured, as it seems to be happening in Sweden. While retaining its capitalist structure (80 per cent of all industrial enterprises are privately owned), the country provides 'socialised paradise' of the most developed welfare state. Of late, however, people are beginning to grumble about, among other things, having too little choice in how they live. (vide Robert Roth, 'Sweden: Too Much Paradise?' *Deccan Herald, Weekly Magazine*, Sunday, November 5, 1972.
- 25 Dorfman, R: "Prices and Markets", p 91.
- 26 The interdependence between size and distribution of national income is thus rooted not in the fact of multiplicity of commodities and services constituting national income but unequal ownership of 'corn'. Imagine a situation where two individuals possess equal amount of 'corn' and have access to the same technological possibility of transforming bread into cake. If both have the same preference pattern, both would equate their common marginal rate of substitution on production side with that on consumption side. If preference patterns differ, each would produce the same output-mix at a common price ratio and through exchange acquire the commodity-mix which makes him better off than before the exchange. If equilibrium condition is specified such that total quantities of the two commodities after allowing for exchange are exhausted, neither of the two individuals can have greater weight in the determination of the common price ratio. It is not valid therefore to maintain that line of absolute equality in Lorenz curve implies equal distribution only in one commodity model (vide C T Kurian, *op cit*). With equal ownership of 'corn' it still implies equal distribution of real income even in multicommodity model whether the composition of consumption is the same or different for two individuals.
- 27 For contractual model of justice as fairness, see John Rawls, 'Justice as Fairness', *Philosophical Review*, 1958, pp 164-194.
- 28 Notwithstanding J B Clark's contrary statement in his introduction to the English translation of Rodbertus "Overproduction and Crisis" quoted in Maurice Dobb "Political Economy and Capitalism", p 92.
- 29 See Simon Kuznets, 'Economic Growth and Income Inequality', *American Economic Review*, March 1955.
- 30 This three way classification of the economy used by Michael Kalecki in what appears to be his last article is the most relevant for discussing the likely but not inevitable conflict between growth and justice. See Michael Kalecki, 'Class Struggle and the Distribution of National Income', *Kyklos*, Volume XXIV, 1971, pp 1-9.
- 31 Items of 'terminal equipment' of capital goods have, of course, to be allowed for even with a limited time horizon.
- 32 The Mahalanobis four sector model was designed to determine pattern of investment so as to ensure specified increase in income and in employment. The problem tackled was thus still a problem of inter-temporal distribution except for two dimensional interpretation of growth.
- 33 Jagdish N Bhagwati and Sukhamoy Chakravarty: "Contributions to Indian Economic Analysis: A Survey", *The American Economic Review*, Volume LIX, Number 4, Part 2, September 1969 Supplement p 15, Footnote 29, Emphasis added.
- 34 C N Vakil and P R Brahmanand, "Planning for an Expanding Economy", pp 246-247. Emphasis added.
- 35 Mahbub ul Huq, 'Let Us Stand Economic Theory on Its Head', *Insight* January 1972.
- 36 Mahbub ul Huq, "The Strategy of Economic Planning — A Case Study of Pakistan", p 2. Emphasis added.
- 37 *Ibid*, p 6-7.
- 38 *Ibid*, p 77.
- 39 *Ibid*, p 2.
- 40 *Ibid*, p 21.
- 41 *Ibid*, pp 30 and 35.
- 42 *Ibid*, p 197.
- 43 *Ibid*, p 198.
- 44 Second Five Year Plan, *op cit*, p 12. Emphasis added.
- 45 See Paul Streeten's reference to Tinbergen's definition (vide Jan Tinbergen, "The Design of Development", p 39) in "The Use and Abuse of Models in Development Planning" in "The Teaching of Development Economics" edited by Kurt Martin and John Knapp, p 67.
- 46 Approach to the Fifth Plan, *op cit*. It is hazardous to venture any comments on the different variants used to work out the rate and pattern of growth without access to the underlying 'Position Papers'. It may be pertinent to note that quite apart from substantial aggregation already implicit in the 66-sector input-output matrix used, the most crucial assumption in working out different variants is that the price structure in 1978-79 would be the same as that in 1971-72.
- 47 See Paul Streeten, *op cit*, and Dudley Seers, 'The Limitations of the Special Case' in "The Teaching of Development Economics", *op cit*.
- 48 See for the implications of the alternative ways of closing the system, Nuti D M "Vulgar Economy" in the "Theory of Income Distribution", *De Economist*, Volume 118, 1970, pp 363-369.
- 49 See Luigi L Pasinetti, 'A New Theoretical Approach to the Problems of Economic Growth' in "Study Week of the Econometric Approach to Development Planning", pp 571-696. Also S Chakravarty and R S Eckaus, 'An Approach to a Multi-Sectoral Inter-temporal Planning Model' in P N Rosenstein Rodan, editor, "Capital Formation and Economic Development", pp 110-127.
- 50 Joan Robinson, 'The Second Crisis of Economic Theory', *American Economic Review, Papers and Proceedings*, May 1972, pp 1-10.

Taxation of Agricultural Wealth and Income

A Note on the Raj Committee's Report

E T Mathew

The Raj Committee's report has provoked a great deal of public discussion since it was submitted in October 1972. As the major recommendations are well known by now, this article does not attempt to recount them here. Instead, the author comments on some of the more important aspects of the Report.

FAMILY AS TAX-PAYING UNIT

THE Committee has recommended that the family should be the tax-paying unit for assessment of agricultural as well as non-agricultural (non-corporate) incomes. It is perfectly valid to argue that since ceilings on land holdings have been applied to family holdings, the Agricultural Holdings Tax also should apply to family holdings. Clearly, no other argument is required to justify adoption of the family as the tax-paying unit in respect of AHT. But the Committee has deemed it necessary to advance the argument that "the family and not the individual earner is the recipient of income from all sources of production activity in which the members of the family engage severally or jointly" (pp 90-71, Report) in defence of its preference for the family as the tax-paying unit. And, interestingly, it goes on to argue that the same criterion should be extended to the non-agricultural sector. Now, there may or may not be a case for adopting the family as the tax-paying unit for non-agricultural taxation. But the case does not necessarily rest on the suitability of the principle for the agricultural sector.

Essentially, the case for treating the family as the tax-paying unit is based on equity. "People in equal income positions should be treated equally, independent of their source of income."¹ Suppose there are two families, A and B, of equal size. Let us assume that in family A the husband alone works and that his annual income is Rs 12,000. In family B, both husband and wife work, their annual incomes being Rs 7,000 and Rs 5,000, respectively. Family B had a total income of Rs 12,000, like family A. Under the existing rules and at the prevailing rates, family A will be liable to pay Rs 924 and family B, Rs 220 towards income tax, ignoring concessions in respect of contributions to provident fund, life insurance policy, etc. Though these two families have equal incomes, the income tax liability of family A is over four times that of family B. The inequity has arisen as a result of treating the husband and wife separately for income tax purpose.

It is important to note that if income tax were proportional in rate without exemptions, the tax liability would be the same for the two families referred to in the preceding paragraph regardless of the unit on which liability was placed — the individual or the family. If on grounds of equity, we argue that two families with equal (aggregate) incomes should be treated equally for tax purposes, it follows that two families with equal incomes but unequal number of dependents should be treated differently. For instance, a family of seven with a given income will be less well off than a family of two with the same income. This is recognised by granting exemptions in relation to family size. Under the income tax rules now in force in India, differences in family size are not taken into account in determining the tax liability. Every assessee is provided an initial exemption of Rs 5,000 regardless of the size of his family. The assessee may well be an unmarried person earning Rs 5,000 annually or he may be a married person with a wife and six children to support and having an income of Rs 10,000. It is surprising that the Committee which argues that "in equity two families with equal incomes should bear tax at similar rates irrespective of whether the income is earned by one member or by several members jointly" (p 91), is silent on the problem posed by differences in family size. In most families where the wives go in for salaried employment, they do so because the husband's salary is insufficient. The larger the number of children, the greater the pressure on the wife to supplement the husband's income. If in equity it is argued that two families with equal incomes should pay the same tax, we may also argue that of two families with equal incomes, the smaller family should pay more tax than the larger family.

Some tentative suggestions regarding exemption for dependents are given below. Instead of providing a blanket exemption of Rs 5,000 for all assessees, we may fix a much smaller amount as the personal allowance for each dependent including the assessee as is the practice in USA. In USA it is \$600

presently. In terms of per capita incomes prevailing in the two countries, six hundred dollars in USA is a much smaller amount than Rs 5,000. In India we may fix Rs 1,500 as the personal allowance. This would mean that a family of two (husband and wife) with an income of Rs 3,000 will not have to pay any income tax. Similarly a family of 4 (husband, wife and 2 children) will not have to pay any tax if their income does not exceed Rs. 6,000. If this system is followed, it will also be perfectly legitimate to permit families to file individual or joint income tax returns. If the husband files his tax returns individually and claims dependents' allowance for all his children, the wife in her return can claim allowance for herself only.

The above proposal might be objected to on the ground that it goes contrary to the population policy pursued in our country. In fact this question has been debated in many developing countries. As Prest points out: "Opinions can legitimately differ about the influence of financial considerations on birth rates. But unless and until it can be shown that such factors have no effects at all, it seems necessary to discuss them."² Generally low-income families have more children than middle and high-income families. Low-income families, because of their low incomes, pay either no income tax or nominal income tax. Hence a system of income tax allowance for dependents (children) cannot have any decisive influence on their family size. On the other hand, it is highly improbable that high-income families will go in for more children to take advantage of the income tax allowance. The cost of rearing an additional child including the cost of education is most likely to offset the income tax advantage. However, in view of the fact that the government has been actively supporting family planning one is justified in recommending that "children's allowances for tax purposes ought to be on a niggardly rather than a generous basis."³ There are several ways of making children's allowances for income tax purposes "niggardly". One is to limit the allowance to a certain number of children,

TABLE : PERCENTAGE DISTRIBUTION OF ACREAGE UNDER DIFFERENT CROPS IN KHARIF AND RABI SEASON, 1960-61, IN SIHAJHARAD, BIHAR

Zone	Kharif Season					Rabi Season												
	Paddy (Single)	Miscel- laneous	Total Kharif	Khesari		Wheat			Gram			Wheat and Gram			Miscel- laneous Pulses	Total Rabi		
				Single	Mixed with Others	Sub- Total	Single	Mixed with Others, Except Gram	Sub- Total	Single	Mixed with Others, Except Wheat	Sub- Total	Single	Mixed with Others			Sub- Total	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
Zone 1	98.88	0.12	100.00	46.70	16.88	63.58	3.32	—	8.32	2.72	3.12	5.84	19.24	—	19.24	2.95	0.07	100.00
Zone 2	99.75	0.24	100.00	65.52	—	66.52	1.26	—	1.26	12.95	—	12.95	17.47	—	17.47	1.62	1.18	100.00
Zone 3	100.00	—	100.00	21.35	16.27	37.63	1.89	—	1.89	1.24	1.92	3.16	43.34	1.92	45.26	3.54	8.52	100.00
Zone 4	99.90	0.10	100.00	40.00	5.94	45.94	9.05	0.03	9.14	9.78	2.32	12.10	23.76	7.56	31.28	—	1.54	100.00
District	99.53	0.50	100.00	43.71	10.57	54.28	5.30	0.02	5.32	6.19	1.95	8.14	25.61	2.04	27.65	2.17	2.44	100.00

Source : Agro-Economic Research Centre, Visva-Bharati University, "Studies in the Economics of Farm Management in Bihar", Report for the year 1960-61 (mimeographed), p 54.

say, three. This is what J E Meade recommended for Mauritius.⁴ Another method is to set a lower allowance for children compared to the allowance granted for the tax-payer and the spouse. In the words of Due, "Costs of maintaining a given level of living clearly do not rise proportionately with numbers of dependents. Many basic costs of operating a household are, at least over a considerable range, independent of the size of the family. Accordingly, the figure justifiable for the first child or other dependent is less than that for the tax-payer and the spouse, and that for successive children less than the amount for the first."⁵ Of course, it is possible to have many variants of this alternative. In this note we will not argue which alternative to choose. We may sum up our main contention in the preceding paragraphs thus: If on equity grounds family is adopted as the tax-paying unit, on the same grounds differences in family size should be given due consideration.

RATEABLE VALUE FOR CROP-GROUPS

To take care of cases where more than one crop is grown on the same holding, the Committee has suggested that the crops in a district/tract be suitably grouped into a few crop-groups, the average rateable value for each such group be worked out and the rateable value of an agricultural holding determined on the basis of the rateable values of the relevant crop groups.

There are two problems involved in this procedure. The first problem is posed by holdings where one crop is followed by another crop within the same year or in the subsequent years in a standard rotation of crops. The second problem is posed by holdings where more than one crop is cultivated simultaneously. This is the problem presented by mixed-cropping.

The estimation of rateable value for holdings where a standard rotation of crops is followed need not present any serious difficulty. Farm management data can be used to prove this point. For instance, take the case of Bihar. Farm management data on cropping pattern for Shahabad district in Bihar⁶ show that paddy almost entirely dominates the kharif season in all the regions. In the rabi, on the other hand, quite a large number of crops are grown such as kesari, wheat, gram and other miscellaneous legume varieties. Their relative importance (in terms of acreage under cultivation) varies from zone to zone. The relevant data are summarised in the Table.

It is clear that once we have data for each tract or zone which falls into the above pattern, the estimation of rateable value for holdings under different crop-groups (for each zone) cannot be too difficult. For within the same zone, rotation of crops remains the same from year to year. This is the typical situation in most states. The other problem posed by holdings where several crops are cultivated simultaneously — the problem of mixed cropping — is typical, perhaps, only of Kerala. Of course, there is an element of mixed cropping in the case of standard rotation also as can be seen from the Table, but this is only marginal as a single crop dominates whether it is the kharif season or the rabi season. Even in Kerala, mixed-cropping is applicable only to 'garden lands'. The paddy fields as well as the plantations follow a definite pattern of monoculture where inter-planting of different crops is ruled out. Mixed cropping is followed only in the case of crops like coconut, tapioca, banana and other plantains, yam, ginger, etc. Out of a total sown area of 29.16 lakh hectares in 1969-70, the area that could possibly be used for mixed cropping amounted to 16.96 lakh hectares.⁷ It, however, does not follow that this entire area was in fact devoted to mixed cropping. The actual area under mixed crops must have been much smaller since it is quite logical to assume that there are quite a good number of gardens exclusively devoted to coconuts and tapioca. Unfortunately, we do not have any comprehensive data for the entire state to show the extent of area under mixed crops. The Farm management study for Kerala refers only to one type of mixed cropping, namely, the coconut-tapioca mix.⁸ And obviously, it refers only to sample households selected for the study. In all, 19 sample cultivators in Quilon district out of a total of 150 selected for the study (spread over two districts, namely, Quilon and Alleppey) were reported to practise mixed cropping of the coconut-tapioca type. The area under this crop-mix accounted for 2.1 per cent of the total land comprising the sample and 7.4 per cent of the total garden land in all holdings. In view of the comparatively limited information on mixed cropping provided by the Farm Management study for Kerala, we may have to resort to other ways of tackling this problem. In general, the most feasible method will be to count the number of trees where perennial crops like coconuts, arecanuts, etc., are combined with AHT on the leased out portion? Fur-

seasonal crops like tapioca. And it is well known that wherever perennial crops are combined with seasonal crops, the latter plays a relatively minor role in terms of income. Further, in view of the recommendation of the Committee that for holdings with rateable value of less than Rs 600, the Agricultural Holdings Tax should be fixed at the flat rate of one rupee per holding, one does not have to worry about estimating rateable value for holdings below 1 or 1.5 acres on which mixed cropping may be followed.

The Committee has preferred the potential income basis to the actual income basis. There may be a valid case for preferring potential income to actual income as a proper base for agricultural taxation. But the preference cannot primarily be based on the difficulties involved in the computation of actual income as the Committee argues. If the computation of actual income is difficult so is the computation of potential income. In fact, the Raj Committee report has been criticised on the ground that the procedure involved in arriving at the rateable value is bound to be time-consuming and very expensive.⁹

However, in underdeveloped countries agricultural taxation based on potential income can serve as a very effective form of incentive taxation. While those who neglect their lands will be penalised, others who take good care of their lands will be rewarded since potential income is based on average performance.

OPERATIONAL VERSUS OWNERSHIP HOLDING

The Committee has recommended that the AHT should be applied to operational holdings and not to ownership holdings. This can be justified on the basis of valid economic reasoning. If income from farming (estimated in one manner or another) constitutes the tax base, it is operational holding and not ownership holding that is relevant because one does not necessarily have to own land in order to derive income from land. The Committee, however, seems to be more impressed by the administrative convenience of this distinction. It also thinks that "the adoption of this basis will discourage illegal or concealed leases of land because if a landowner leases out land without getting it duly registered, he will be liable to the payment of AHT on the same" (p 45). But how could illegal leases of land be prevented as long as the market rent received is larger than the

ther, farmers would be encouraged to make false lease-outs to relatives and friends to take advantage of lower rates of tax. Apart from all these considerations, it is most likely that in a situation where land hunger is acute and land distribution is highly skewed, illegal or concealed leases of land will persist.

In this context we may also refer to an ambiguity in the recommendations of the Committee. The rateable value of a holding is taken to be equal to its gross output minus costs of cultivation including irrigation expenses. The Committee has proposed that normally deduction at the rate of 40 per cent of the value of gross output may be allowed on account of costs of cultivation. In the case of leased-in lands it is obvious that rent has to be paid. However, it is not clear whether the 40 per cent deduction includes rent on the leased-in lands.

IMPLEMENTATION OF PROPOSALS

The task of implementation of the Committee's proposals is divided into two parts: the first part which applies to operational holdings with rateable value of Rs 5,000 or more should be undertaken by all the state governments immediately on a uniform basis; the second part which is related to operational holdings with rateable value below Rs 5,000 may be left to the judgment and convenience of each state government. One can understand the Committee setting a longer deadline for implementation of the second part in view of the greater preliminary work required by the much larger number of holdings falling in this category. But we cannot understand why the matter should be left to the judgment and convenience of each state. Once it is left to the discretion of the state governments, the chances are that the AHT will never be implemented for holdings with a rateable value below Rs 5,000. This would result in a dual system of taxation for agriculture. A likely concomitant of this arrangement is that attempts will be made to include holdings with rateable values in higher ranges but close to Rs 5,000 in this category in order to take advantage of the lower rates of land revenue.

The separation of agricultural and non-agricultural incomes for tax purposes causes not only loss of revenue to the government, it also violates the principle of horizontal equity as between different tax payers. Hence suggestions have come from different sources for the integration of agricultural and non-agricultural incomes for

purposes of taxation. The Committee is of the view that complete integration of the two categories of incomes would not be a satisfactory solution to the problems of inequity and evasion. It has, therefore, recommended a partial integration of the two incomes in determining the rate of tax applicable to the non-agricultural income assessable under the Income Tax Act, 1961. According to the scheme of partial integration proposed by the Committee, both the agricultural and non-agricultural components of a tax-payer's income will be aggregated and the tax on the non-agricultural portion will be levied as if it were placed in the top slabs of the aggregate income. While the idea of integration is commendable, the Committee's proposals may be criticised on at least two counts:

(1) A major factor which weighed with the Committee in recommending the AHT based on rateable value was the great difficulty in computing actual agricultural income (pp 71-72 of the Report). Now, for partial integration, the Committee is resorting to the very same actual income from agriculture. If computation of net income from agriculture is possible for the purpose of partial integration, it should be possible also for the exclusive taxation of agricultural incomes by state governments. Then why bother about introducing a new tax, AHT?

(2) The partial integration proposed by the Committee is too partial. While agricultural incomes are clubbed with non-agricultural incomes under the Central income tax no such aggregation is recommended for the taxation of agricultural incomes. This is certainly inequitable because there is discrimination in favour of agriculturists with non-agricultural incomes below the exemption limit. The main difficulty which the Committee foresees in clubbing agricultural and non-agricultural incomes for purposes of agricultural taxation would arise when assesses happen to derive their agricultural income from more than one state and each state insists on levying a tax on agricultural income originating in its territory with reference to the taxpayer's total income from all sources, agricultural and non-agricultural. Surely, the number of assesses who derive agricultural income from more than one state cannot be so large as to present any major problem. Further, even granting that there are quite a numbers of such cases, it cannot be too difficult for the states concerned to arrive at a mutually satisfactory arrangement regarding the sharing of the proceeds.

NOTES

- 1 Richard A Musgrave, "The Theory of Public Finance" (New York: McGraw-Hill Book Company), p 173.
- 2 A R Prest, "Public Finance in Underdeveloped Countries" (London: Weidenfeld and Nicolson, 1962), p 83.
- 3 *Ibid.*
- 4 Quoted by Prest, *op cit*, p 85.
- 5 John F Due, "Government Finance: Economics of the Public Sector," (Homewood, Illinois: Richard D Irwin, 1968), p 406.
- 6 Agro-Economic Research Centre, Visva-Bharati University, "Studies in the Economics of Farm Management in Bihar, Report for the Year 1960-61" (mimeographed) pp 50-56.
- 7 See State Planning Board, "Statistics for Planning", (Serial Number 1), Agriculture, Table 1.10, pp 12-13.
- 8 V R Pillai and P C K Panikar, "Studies in the Economics of Farm Management in Kerala", Volume I (1962-63) (mimeographed) pp 237-245.
- 9 See Editorials of *Financial Express*, November 7, 1972 and *Hindustan Times*, November 4, 1972. Also, article by Ashok Thapar on "Taxing the Farmer", *Times of India*, November 7, 1972.

East Coast Breweries

EAST Coast Breweries and Distilleries are making good progress in the civil constructions at the Paradeep port site for their brewery which is to manufacture 50,000 hectolitres of beer per annum at a cost Rs 1.5 crores.

The company has awarded the turn-key contract, for building their brewery at a cost of Rs 1.08 crores, to Larsen and Toubro who are experts in the field. In this connection an agreement has been signed on March 30, 1973, and an advance of Rs 27 lakhs has also been made to the contractor.

Some of the salient features of the agreement are that the brewery will be provided with a "Steincker" Brew House of West German origin which has a world-wide reputation as one of the most modern and versatile Brew Houses, an expert German Brew Master for one year, and training in West Germany free of cost for six months for one of the company's experienced Indian Brew Masters. The contractor has also guaranteed production of quality beer of international standard and in record time of 18 months from the date of the agreement. The company is expected to go into full production in the second half of 1974.

FROM THE CHAIR

Guest Keen Williams Limited

Statement by the Chairman, Mr K C Maitra

THE following is the Statement by the Chairman, Mr K C Maitra, on the occasion of the Forty-third annual general meeting held in Calcutta on April 27, 1973:

It is my pleasant task to welcome you to this 43rd Annual General Meeting of your Company. The Accounts and Directors' Report have been circulated and with your permission I shall take them as read.

BOARD OF DIRECTORS

It is with very genuine regret that I have to announce to this meeting the retirement from GKW of Sir A Ramaswami Mudaliar. When your Company went public in 1956, Sir Ramaswami joined the Board as one of the first non-executive Directors elected to assist in the guidance of GKW in its new form. As it happens I also became a Director that same year, and hence for 17 years it has been my personal privilege to work with Sir Ramaswami in building up your Company to its present position. His wise and mature counsel has been of inestimable value, and on your behalf and mine I am glad to have this opportunity to record our sincere appreciation of his services.

You have already been informed of the appointment of Mr K K A Ramachandran as Deputy General Managing Director of your Company from 24th November 1972. The appointment recognises Mr Ramachandran's long service in key roles within the Company, and I warmly commend it to you.

OPERATIONS DURING 1972

The salient details of GKW's performance are given in the Directors' Report, and I would merely wish to comment on and amplify certain major themes.

First, to someone like myself whose lifetime work in India has been concerned with the power generation and distribution programme, it is distressing to see our country passing through yet another power crisis. If that crisis had been caused by exceptionally rapid growth in demand, we would in a sense rejoice—if, that is, production of food and industrial goods was rising very fast, unemployment falling, inflation coming under control. But the crisis is in fact due to worsening operation of facilities we already have, and incidentally cannot be wholly or even mainly blamed on last year's deficient monsoon. The power programme is the most vital cornerstone in all our plans for economic growth and social

justice, in both the industrial and agricultural sectors. All necessary steps must be taken to improve the maintenance and running of existing generating capacity, and to restore the rate of growth in that capacity to the peak figures reached in 1968/71.

On the brighter side, it is a pleasure to record a second year in succession during which we in GKW have enjoyed good labour relations, with consequent benefit both to the Company and to our employees. It is not sufficiently often stressed that achievement of a full year's wages and bonus is by far the best contribution which trade unions



Mr K C Maitra

and management can make to working people's standard of living—rarely is the loss of wages due to industrial action made up by later gains, even if a concession is secured from the employer. How much more disastrous, then, is that type of industrial action which is directed towards a political purpose. Power struggles between different political factions, conducted through rivalry for control of unions, cause untold hardship to working people with no conceivable gain for themselves. I earnestly hope that this ugly feature of the industrial scene may be quickly banished.

Lastly, may I recall the warning I gave last year, of how the combined impact of inflation, high tax rates, and growing volume of business would eat into liquid resources. How right this proved to be! We have inescapable obligations to finance stocks, both to maintain employment and provide customer service, and we believe it right to cover modest expansion from self-generated resources. The need for

retention of earnings in an inflationary economy is therefore high, and the pretax profit level required to achieve those retentions is of course higher still.

EXPORTS

I again have to report that we are dissatisfied with our export performance: it is ahead of 1971, but below the best figure achieved in 1968. At that time, certain products of your Company were permitted for export which are now forbidden due to domestic needs, and we were also engaged in support of some overseas contracts which have not repeated.

That markets appear and disappear is a fact of life in the export trade. The American import surcharge in 1971, and trade problems with Sudan and Yugoslavia, are other obvious examples. This is not a complaint, merely an observation on what exporting means in real life. It implies that to be successful an exporter must above all have the ability to respond quickly to new opportunities. I would therefore strongly urge the utmost simplicity and speed of operation in any official procedures connected either with exports directly, or with procurement of supplies to support export production.

I am particularly perturbed by the export bond included as Appendix 35 of the import Trade Control Handbook. It is entirely right that where an industrial licence, or an import licence either for materials or capital goods, is granted against a promise of exports, the licence holder should pledge to achieve those exports. What is questionable about the present bond, however, is the length of time for which the commitment can run—which I understand can be up to 10 years renewable at Government's option for a further five years; who can honestly claim to forecast world markets 15 years ahead? Still worse is the provision which requires surrender of twice any shortfall to a state trading body for sale at such prices as they can realise. Bluntly, this means dumping: it also means that an overseas customer of an Indian exporter knows that he need only hold his orders, whereupon there will be available twice the quantity at cut prices! Surely a formula can be devised which meets national needs without publicly threatening to penalise exporters in this manner?

One other facet of exports is worthy of mention. A component supplier like GKW is not always best placed to export—currency earnings are higher if an electric motor is exported rather

than the stampings inside it, higher still if a consumer durable containing a motor is exported. We may therefore do better by helping our customers to export, and I hope that Government will be prepared to recognise this type of contribution to the total export effort.

BONUS ISSUE

I am glad to be able to report this year that consent has been received for our Bonus issue, and the shares will be allotted amongst members on the day of the AGM.

I also have to announce that the consent includes a clause requiring fresh equity issue to Indians only in the sum of Rs 50 lakhs inclusive of premium, within twelve months of the consent—that is, by 1st February 1974. The clause is directed towards reduction in foreign equity holding, and has been accepted by our majority shareholder Guest Keen and Nettlefolds Ltd UK. The issue may also be used to meet current guidelines on reduction in foreign equity as a condition of expansion schemes. Details have yet to be settled with Government and the Reserve Bank, and proposals may be expected to be put to an Extraordinary Meeting in due course.

PROPOSED SANKEY WHEEL SHARE PURCHASE

You will also observe in the Directors' Report that consent for the proposed purchase of further shares in Sankey Wheels Limited by your Company has been refused by Central Government. We are considering a further representation: it is sad that a proposal to increase our investment in West Bengal, and reduce the effective foreign equity holding in Sankey Wheels, has not been readily accepted to be expedient in the public interest.

CURRENT PROSPECTS AND OUTLOOK

I said a year ago "The problem of 1972 may be summarised by saying that we have to run quite fast just to stay where we are, and maintain the 1971 profit figures". This proved to be the case: where we achieved good turnover growth—or "ran quite fast"—we just about managed to offset cost increases; but where volume declined, profitability declined sharply and this fed through to the results of GKW as a whole.

The three years 1969/70/71, for India as a whole, featured a series of favourable trends working to reinforce each other—agricultural revival, industrial growth, improving political stability, good growth in power generating capacity, and so on. It was therefore to be expected that 1971 would be a peak year, but from about April 1971 onwards warning signs began to appear. The temptation now is to blame any current problems on last year's mon-

soon, but I suggest that study of trends in 1971/72 will show that the monsoon merely accentuated problems that were already endemic in the economy.

Our 1972 results thus showed lower profit from higher turnover than 1971, but I think they also represent a stronger base from which to move forward. I again feel that we will have to "run quite fast", but I am cautiously optimistic that 1973 compared to 1972 will show more encouraging figures than 1972 compared to 1971. I would add three qualifications: first, as a nation we must be serious about tackling inflation, which implies considerable self-discipline; secondly, to give any chance of controlling costs, all companies must be given reasonable opportunities to expand; and thirdly, although I appreciate the pressures which inflation puts on organised labour, management and unions must seek to solve the problems without industrial action—which can only make those problems worse.

PUBLIC SECTOR, JOINT SECTOR, PRIVATE SECTOR

I would like to use my annual allotment of general comment, to make a contribution to the debate on 'Sectors'. Let me start with "Garibi Hatao" and "Holding the Price Line", two great needs of the day. The only cure for poverty is efficient use of resources for rapid increase in the supply of needed goods and services. The only cure for inflation is a rate of increase in real wealth at least equal to the increase in money. These are two economic truths, independent of politics.

Rapid increase in real wealth (that is, supply of needed goods and services), with efficient use of resources (that is, low cost), is also the method by which surplus value is generated, leading either to reinvestment of that surplus in fresh productive capacity for further growth, or a return to the original investors which enables a successful enterprise to attract fresh funds when needed.

Where the original investors are private shareholders, they put their money in to the enterprise in the expectation of gain, justified because they also take the risk of total loss. If a private sector venture does not yield surplus value, therefore, shareholders may be sadly disappointed but the risk was intrinsic to their investment.

But when public money is invested, it is in effect the savings of the people. In a developing country like India, indirect taxation, yielding small sums per head from the mass of the people, is the major source of revenue. Even corporate tax falls in the end on ultimate consumers who are in the main poor. Foreign aid is given to help the poor,

not the rich.

The model on which our early Five Year Plans were based required that tax effort and foreign aid, invested mainly in public sector basic industry, should be yielding in the early '70s massive surplus value for reinvestment and self-sustaining growth. The Government are in a position of sacred trust to the poor of this country to achieve that surplus value and reinvestment. It is not my purpose to attack public sector management, which works under possibly more severe handicaps than we do in the private sector: in any case, both sectors have strong units and sick units, success is not the prerogative of either! My sole purpose is to urge our political leaders to accept the nature of their trusteeship, and to set as a central political objective—fundamental to socialist purpose—that regardless of sector those who hold in trust the nation's scarcest resource, its stock of capital, must manage that stock to generate surplus value for return on investment and for re-investment.

Only if achievement and reinvestment of surplus value is accepted as a public good, rather than denigrated as 'the profit motive', will we have a climate in which either joint sector or private sector can successfully operate. It is surely damaging to the national interest that companies whose ability to supply competitive goods and services has been proved by their growth to large scale, should be denied expansion or subjected to increasingly onerous or impossible conditions. Government is right to encourage new entrepreneurs, which the country badly needs; is it not a little irrational also to say in advance that if they succeed and grow into substantial companies, they will be suspect and probably attacked as anti-social? Surely what the country needs is successful enterprise, in every sector!

If trusteeship of scarce capital is given the importance it deserves, there need be only one rule for joint sector—the rule of self-reliance. After the initial subscription, no further public money should be invested in a joint sector enterprise unless it could raise that money by normal commercial criteria. This is a hard rule, with many implications: superficially capitalist in approach, profoundly socialist in purpose. It gives effect to the stated objective of combining public money and professionalism in management, self-reliance in the terms I have described is, the one true test of professional management.

To encourage private sector participation, two incentives should also be considered. Income from a joint sector enterprise to its private sector partner

should not be subjected to double taxation (as profits in the joint sector enterprise, and as dividend to the partner); and for every lakh invested in a joint sector company, the private sector partner could be permitted an equivalent investment in its own expansion.

It may be argued that my approach is wholly directed towards growth and ignores the aspect of social justice. This criticism misses the key point, that the first and foremost contribution which managers of capital must make to social justice is to safeguard the existing capital stock and provide for its growth. A more important criticism is that surplus value as I have described it, will arise most in the production of goods and services for the main purchasing power in the economy: again, in at least two cases, I can reply that social justice is served. The largest single purchaser is the State, reflecting the needs of the common man; and in a number of important consumption goods, small per capita purchasing power multiplied by many millions of buyers forms a huge market.

But public policy will still require intervention to make goods available for social purposes to people who cannot afford the full economic price. My plea would be that such intervention should be effected in a manner which does not conceal the true use of resources, nor diminish the incentive to efficient management. Merely to restrict the income of producing units, in any sector, through prices which do not cover genuine costs generally leads to a vicious circle of declining quality, lack of maintenance of assets, and lack of reinvestment. Direct subsidy, on the other hand, or 'cost plus' procurement pricing, generally leads to managerial inefficiency. I would suggest that the concept of excise duty drawback could be applied in selected home market cases: if we are prepared to use this technique to bring goods within the price range of rich overseas buyers because we need their currency. I see no reason why it could not also be used to bring goods within the range of carefully defined Indian buyers for identified social purposes. Even more radical would be a concept of negative excise, which would be the obvious Indian parallel to the concept of negative income tax now being studied in some western countries. It could be an excellent mechanism for distributive justice, whereby excise levied on luxury goods for the wealthy could be used directly to lower the price of essentials for the needy.

May I conclude by reaffirming that we in the private sector have skills, and a sense of dedication, which are

available to serve the national interest. Our skills are mainly in the efficient management of resources for growth in the real wealth of the nation, and it is by pursuit of this aim that we are already one important cylinder in the engine of social change. This is where the major contribution of industry in any sector to social change will always lie. We may undertake limited direct social action, such as provision of medical services, but overwhelmingly this type of activity must be undertaken by the State—they alone have the skills and organisation, and cover the whole population rather than just those who happen to work in organised industry. Through taxation, and through increase in real wealth, we of course contribute to social purpose in this field also. We are proud of our position in the country, and can only hope that proper appreciation of what we have to offer will in turn lead to realisation of our full potential.

OUR ASSOCIATES

It is again a pleasure to acknowledge the continuing ready support given by

Guest Keen and Nettlefolds Limited, UK, and in particular the personal contribution of Mr H S Killick whom we are glad to have with us today. Since joining our Board he has been a frequent visitor, getting to know our people and problems in situ, and his encouragement and practical support are most valuable.

CONCLUSION

My last, and perhaps pleasantest, task is to thank all our employees, at all levels, for their efforts in meeting the difficult conditions of 1972. The fact that this is customary from the Chairman on the occasion of the AGM should not be allowed to diminish the very sincere nature of the tribute. Nobody knows better than the man at the top how much a Company relies on the combined efforts of all the people in it; we have a first-class team, and it is this strength in GKW which gives me great confidence for our continuing success.

Note: This does not purport to be a record of the proceedings of Annual general meeting.

Government of India

4½ PER CENT LOAN 1980 TO BE ISSUED AT RS. 100.00 PER CENT AND REPAYABLE AT PAR ON 12TH OF MAY 1980.

5 PER CENT LOAN 1984 (SECOND ISSUE) TO BE ISSUED AT RS. 99.50 PER CENT AND REPAYABLE AT PAR ON 1ST OF JUNE 1984.

5½ PER CENT LOAN 2003 TO BE ISSUED AT RS. 100.00 PER CENT AND REPAYABLE AT PAR ON 12TH OF MAY 2003.

Subscriptions to the above loans will be received simultaneously and will be limited to a total of Rs. 500 crores (approximately). Subscriptions may be in the form of (i) cash/cheque or (ii) Securities of the 4 per cent Loan 1973 which will be accepted for conversion at par. Government reserve the right to retain subscriptions upto ten per cent in excess of the notified amount.

2. If the total subscriptions received for the 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 on the securities of 4 per cent Loan 1973 will be paid at the rate of 4 per cent per annum upto and inclusive of 11th May 1973 at the time of issue of the new securities.

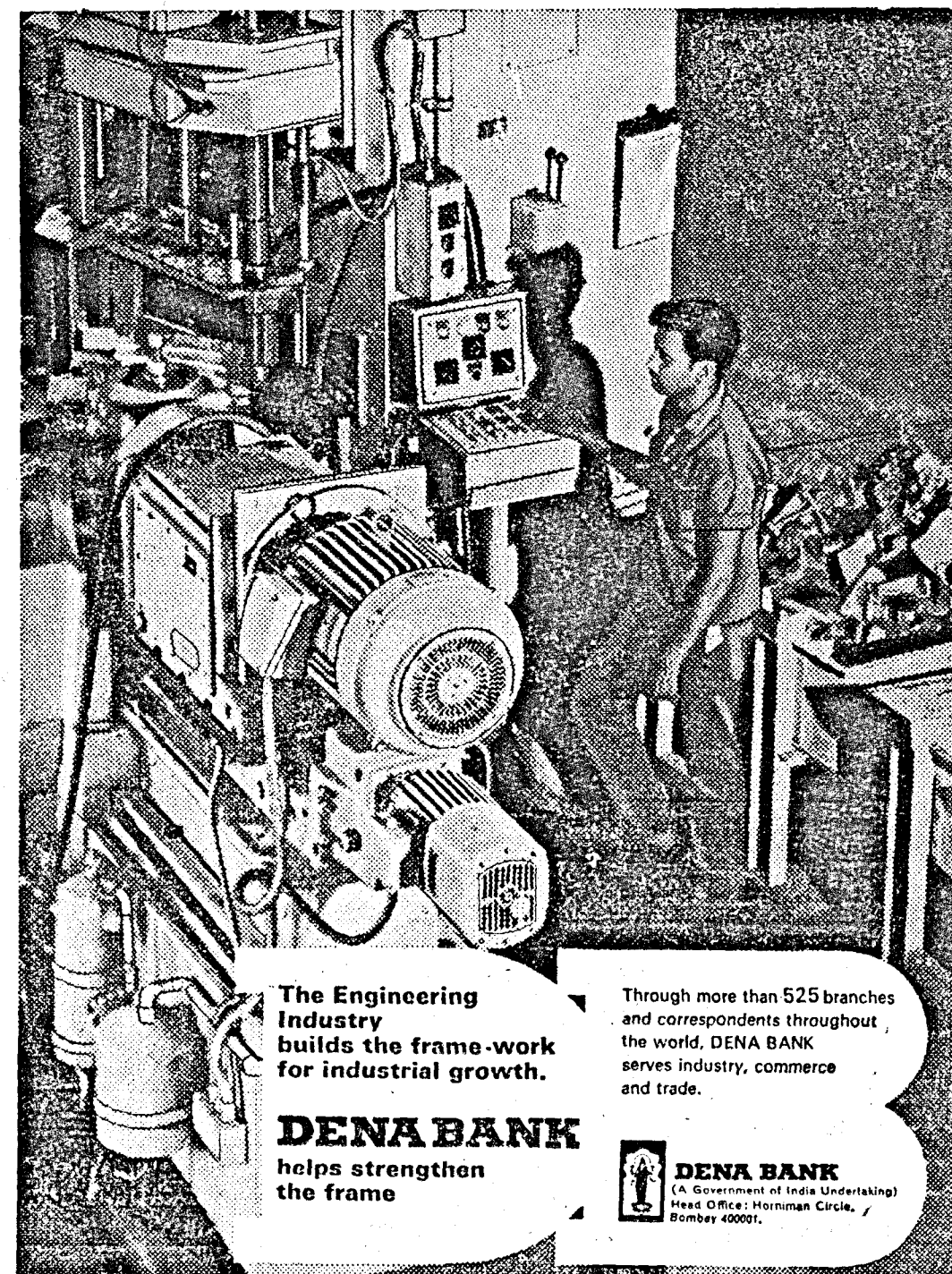
3. Interest on 4½ per cent Loan 1980 and 5½ per cent Loan 2003 will be paid half yearly on 12th May and 12th November. In the case of 5 per cent Loan 1984 (Second Issue) the interest for the period 12th to 31st May 1973 will be paid on 1st June 1973 and thereafter interest will be paid half yearly on 1st December and 1st June.

4. Interest on all the loans now issued together with interest on other previous Government securities and income from other approved investments will be exempt from income-tax subject to a limit of Rs. 3,000 per annum and subject to other provisions of Section 80L of the Income-tax Act, 1961. The value of the investments in the loans now issued together with the value of other previous investments in Government securities and the other investments specified on Section 5 of the Wealth Tax Act will also be exempt from the Wealth Tax upto Rs. 1,50,000/-.

5. Subscription lists will open on the 12th of May 1973 and close on 14th of May 1973 or earlier without notice.

Applications for the loans will be received at :—

- Offices of the Reserve Bank of India at Ahmedabad, 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 Hyderabad; and
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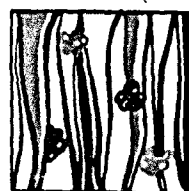
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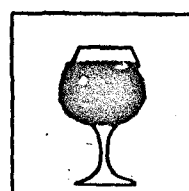
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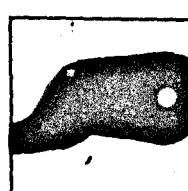
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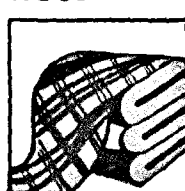
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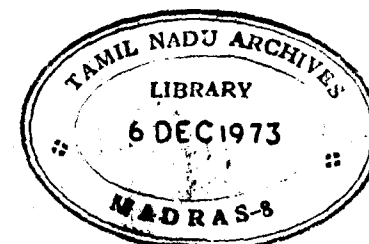
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Rs 1.50

Vol VIII No 19

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WEEKLY

Founder-Editor: Sachin Chaudhuri

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ECONOMIC AND POLITICAL WEEKLY

Skyark 284 Frere Road Bombay 400 001

Phones 266072, 266073, 260192

Grams Econweekly

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Studied Topsyturnviness

THE regulation bravado notwithstanding, an undercurrent of concern is discernible in government about the progress in wheat procurement. Only in Punjab are things proceeding smoothly. Elsewhere, actual purchases are lagging considerably behind expectations. In Bihar, for example, as against a target of 600,000 tonnes, barely 600 tonnes had been procured till the end of April. The situation is worse in the minor wheat-producing states. Even in Haryana, the rate of public purchases is only marginally higher than it was last year.

It would be easy to heap the blame for all this, on the one hand, on the takeover of the wholesale trade in foodgrains, or, on the other, on the nefarious doings of the dispossessed private traders. On the face of it, an attempt to dispense with private traders in a year of rising prices and depleted government stocks was bound to prove a misadventure. Yet a little deliberation would show that the major deficiency lies in the topsyturviness of priorities. Complete takeover of wholesale trade is not feasible without monopoly purchase of grains on the part of the State. It is well known that once the produce leaves the farmer's homestead, its subsequent movement is a matter over which the government and the public distribution network have no control. A government which professes not to mind the obliteration of private wholesale trade should not, other things remaining the same, mind procuring the grain on a compulsory basis at the source either. This would impart optimum efficiency to wholesale operations as the chain of intermediaries would be shortened all the way. Once a producer levy is imposed, whether or not wholesale trade is taken over becomes an irrelevant issue; for, once the procurement target has been fulfilled via the levy, private trade would in any case be left high and dry.

That, even in this grim year, in none of the states has the ruling party come out in support of the producer levy, renders the government's protestations about its determination to reach the procurement quota suspect. There is an apology of it in Madhya Pradesh; elsewhere it is silence. The glamour associated with the takeover of wholesale trade is welcome; but not so the associated measures for making a meaningful operation of it. The formal elimination of private wholesale trade need not affect any interests; wholesalers may continue to operate through the proxy of retail merchants who, more often than not, are their direct agents. A producer levy would provide no such escape hatch: you have to collect the grain from where it first pours in, i.e. from the bigger agricultural holdings; such a remedy is therefore bound to be unsavoury if the owners of these holdings happen to be your proteges. Was the government hustled into the kind of decision it took on the basis of half-baked academic exercises which failed to take into account the socio-political realities, or was the takeover of wholesale trade preferred to the imposition of a producer levy by opportunists wanting both to hunt with the bounds and to run with the hares?

What does the government propose to do in case the procurement of wheat falls considerably short of the target? With prices of foodgrains up by nearly 25 per cent over the year, there will be substantially greater pressure on the public distribution system in the coming months. As against a quantity of 10.2 million tonnes distributed last year, public distribution could be as much as 12.5 million tonnes in 1973 — assuming that the kharif harvest turns out to be normal. How the arithmetic for this order of public distribution is to be worked out in case the procurement of wheat fails to exceed 7 million tonnes, has to be a matter of public concern. The Prime Minister's forthcoming trip to Canada may have something to do with explorations for wheat from that country. In any case, the credit tranches with the IMF should be availed of. Also, given the minimum lead-time needed to bring the food in, rather than wait for the monsoon, orders for additional imports will have to be placed right away. The ostentatious worry over spoiling the international market for grains may be aimed to show how carefully calculated our purchases are; but there is a season for such demonstration — which is not the present one, with reports of food riots trickling in almost every day from all parts of the country.

Meanwhile, bracing itself, as it were, to bridge the gap through indigenous supplies, Krishi Bhavan — with the emergency rabi production programme now behind it — has dished out an emergency kharif production programme with a view to achieving a total production target of 115 million tonnes of foodgrains during 1973-74. The state governments have been requested to send in, as early as possible, proposals for extra funds that would be required to make the programme a 'success'.

What 'success' constitutes may be gauged from the experience of the emergency rabi programme which is claimed to have yielded good results. The aggregate expenditure on the programme, according to official sources, has been as much as Rs 148 crores, and the resulting additional output of wheat in the current season is about 4 million tonnes. One would have thought, however, that even without an 'emergency' programme production of wheat should have normally gone up from 26 million tonnes last year to 30 million tonnes this year.

It is not just idle curiosity, therefore, if one wants data separately, on the expected additional output from the normal programme of kharif expansion and on what was expected from the proposed emergency programme. The second question to ask is whether the additional expenditures are going to be in the nature of enduring investments or akin to shot-gun outlays which need to be repeated year in and year out for sustaining production at a particular level. Finally, one must also know the exact manner in which such emergency outlays are going to be spent: for example, who are to receive the additional funds and precisely for what purpose? It is possible that, in the name of an emergency kharif programme, the government would begin to disburse fiscal resources anywhere around Rs 200 to Rs 300 crores. For a poor country, resources of this order are not for burning. If in 1970-71, the foodgrains production had already touched 108.4 million tonnes, and if the decline in the subsequent two years was on account of adverse weather, then, given normal weather, even on the assumption of a trend rate of growth of 2.6 per cent per annum, aggregate output in any case may be expected to reach 115 million tonnes in 1973-74. What then is the supposed rationale of an emergency programme?

Such a programme launched in the kharif season will be essentially for raising the production of rice. Going by the report of the official Committee on the Assessment and Evaluation of the Performance of High-Yielding Varieties of Paddy in the IADP Districts during 1966-67 to 1970-71, provision of indiscriminate funds to improve productivity of paddy lands ought to be frowned upon. In all these years, even in the IADP districts, the acreage under high-yielding varieties of paddy in the kharif season was consistently way below the target. It was

not merely higher yields which determined the choice of cultivators for a particular variety, but also such other factors as the period of maturity, milling quality, consumer preference, marketability, susceptibility to pests and diseases, etc. The Committee has dwelled on the need for further research on plant breeding for evolving different high-yielding varieties suitable for the widely varying agro-climatic conditions in the country. The application of fertilisers too, it has found was at lower than the recommended rates in a large number of cases. In view of all this, any large-scale outlay of funds for raising kharif output, which would obviously stress greater use of fertilisers and propagation of existing high-yielding varieties of seeds, may be wide of the mark. It may allow leakage of funds which might line particular pockets but would contribute precious little toward raising the productivity of paddy lands. One last question needs to be asked: If all programmes for raising output are supposed to be contingency ones, what, pray, is happening to the regular schemes?

Bank Credit

Collapse of Economic Management

THE facts and figures of the runaway expansion of money supply in the last two years are by now fairly well known. Taking 1971-72 and 1972-73 together, money supply increased by 30 per cent or by Rs 2,129 crores. This was only slightly less than the increase of Rs 2,240 crores in the preceding four years from 1967-68 to 1970-71. The annual rate of growth of money supply rose continuously from 8 per cent in 1967-68 to 14 per cent in 1972-73.

Faced with these facts, the Reserve Bank had but one tattered fig-leaf behind which to hide itself. It could argue that the entire expansion in money supply in the last two years had been on account of net bank credit to government. This is borne out by statistics. Thus net bank credit to government did expand by Rs 2,297 crores in 1971-72 and 1972-73 taken together whereas the increase in the preceding four-year period had been only Rs 1,243 crores. Even in the two worst drought years of 1965-66 and 1966-67, net bank credit to government had expanded by only Rs 740 crores.

The Reserve Bank's case was that it could not be blamed for the expansion

in net bank credit to government over which it had no control. What it was answerable for was bank credit to the commercial sector which, through the strenuous pursuit of a restrictive credit policy, it had managed to restrain fairly severely. Thus, to the extent possible, it had used its power to control bank credit to the commercial sector to offset the continuous spurt in net bank credit to government. In his letter to commercial banks last March, for instance, the Reserve Bank Governor had taken credit for the fact that "for two consecutive years there has been a slight contraction in net bank credit to the commercial sector, which has offset to some extent the large increase in net bank credit to government". In the same vein he had proceeded to dispense the following advice to banks: "Since budgetary deficits are persisting, the aim of credit policy should be to see that net credit to the commercial sector does not stimulate further expansion of money supply. The need is greater than ever before to ensure that credit limits are sanctioned commensurate with actual production requirements".

But developments of the last few weeks have snatched away the Reserve Bank's fig-leaf and exposed the complete ineffectiveness of its so-called credit policy. In the busy season which has just ended (November 1972 - April 1973), there has been a phenomenal increase of Rs 884 crores in the advances of scheduled commercial banks compared to a rise of only Rs 355 crores in the last busy season. Excluding food procurement credit, the expansion was of the order of Rs 877 crores compared to Rs 426 crores. The increase in net bank credit to the commercial sector (i.e. net of time deposits) was Rs 493 crores compared to Rs 140 crores in the last busy season. Together with the expansion in net bank credit to government, the increase in money supply was Rs 1,289 crores compared to Rs 765 crores in the 1971-72 busy season.

The Reserve Bank had expected a credit expansion of the order of Rs 500 crores, net of food procurement, in the 1972-73 busy season. Though the actual expansion has been much larger, the Bank has not thought it fit to explain what went wrong and where. Perhaps advisedly, since even a slightly close look at the composition of the rise in bank credit in recent months will establish beyond doubt that for all the control it exercises over the commercial banks, the Reserve Bank might as well not have been there.

A significant part of the expansion of commercial bank credit in the last few months represents a new manifestation of the financial profligacy of state governments which had been sought to be curbed in May last year by denying them overdraft facilities from the Reserve Bank. The state governments, it is now evident, have simply taken recourse to the commercial banks. This has been done through state government bodies like electricity boards and state industrial development corporations borrowing from the banks to finance expenditure which would otherwise have been met out of the state exchequer.

A major push to the recent credit expansion by commercial banks also appears to have been provided by the sheer surfeit of liquidity with the banking system. To put it simply, with their deposits rising rapidly, the commercial banks found they just had to lend their funds somehow to stay out of the red. One manifestation of their desperation was the notorious rate-war among banks. Data on the increase in advances of individual banks are not available, but there is evidence to support the presumption that banks with relatively large surplus funds and low credit-deposit ratios have accounted for a large part of the credit expansion. About 30 per cent of the increase in credit has been accounted for by the State Bank group which, in the process, raised its credit-deposit ratio from 64 per cent to 71 per cent. Similarly, the Punjab National Bank is said to have managed to raise its credit-deposit ratio by fully 12 percentage points from 55 per cent to 67 per cent during the busy season. Quite clearly, banks desperately on the prowl for customers are unlikely to worry about such matters — which are supposed to be the very essence of a rational credit system — as the purposes for which the borrower wants funds or whether he in fact needs all the money that he is asking for.

This is borne out by evidence which suggests that significant proportion of bank funds have gone to finance stockpiling of a number of commodities. Data on stocks levels reported in the government's latest Economic Survey show that stock levels in quite a number of industries were higher during January-September 1972 than in the corresponding period of 1971. The use of bank funds for building up inventory also perhaps explains the large increase

of Rs 145 crores in inland bills discounted compared to the increase of about Rs 35 crores in the last busy season. It also appears likely that companies have used short-term bank funds for long-term investment purposes. This is suggested by the fact that the disbursements of the term-lending institutions in 1972-73 were actually lower than in the previous year, whereas the IDBI had in its annual report for 1971-72 anticipated a 25 per cent rise in disbursements.

To appreciate the full import of the credit authorities' failure to check the expansion of bank credit, a good part of which has presumably been used to finance stockpiling and speculative inventory build-up, one has to look at the price situation. On April 21 the index of wholesale prices showed a rise of 16.2 per cent over the level a year ago. Prices of food articles had risen by 19 per cent, with those of rice having risen by 17 per cent, of wheat by 11 per cent, and of jowar, bajra and pulses by between 15 per cent and 40 per cent. Edible oil prices had risen by 40 per cent and sugar prices by 8 per cent over and above a rise of 35 per cent in the previous year. The index for industrial raw materials had risen by 39.6 per cent and, within the group, that for ground-nuts by as much as 72.6 per cent. Despite the improved supply of raw jute and raw cotton, their prices had risen by 31 per cent and 20 per cent, respectively. The price index for manufactures also had risen by 7 per cent and, within the group, the index for intermediate products had risen by 13.5 per cent. Prices of cotton manufactures, which had no reason to go up, rose by 4.2 per cent. Only jute manufactures, in which the scope for manipulation in the domestic market is limited, experienced a fall of 5.2 per cent in price during this period. Considering these steep and all round increases in wholesale prices, the rise of less than 7 per cent in the two official consumer price index numbers in the first 11 months of 1972-73 (April-February) speaks more for the infirmities of the indices than for the actual behaviour of consumer prices during the period.

Against this background of increase in prices, the wildfire expansion of commercial bank credit in the latest busy season is more proof, if any were needed, of the abandonment of all effort to manage, not to speak of plan, the economy.

Judiciary

Choosy Conscience

BAR associations all over the country continue to be exercised over the supersession — and subsequent resignation — of the three Supreme Court judges. What the government has done, they argue, tolls the bell for democracy. Not one of them, however, has found either the time or the inclination to comment on the happenings following the judgment of the Supreme Court on Section 17(a) of the Maintenance of Internal Security Act. Three weeks have elapsed since this Section was declared null and void. But follow-up activities by the state governments which had detained people under this Section have been extraordinarily tardy.

In West Bengal, for instance, nearly 1,800 individuals should have been let out of the prisons following the Supreme Court order. If the state government had even a minimum of respect for the Constitution and the judiciary, it should have released these people immediately. After all, the detention of everyone of them became illegal the moment the Court gave its judgment. The Government of West Bengal, however, has pleaded that it would take a while to sort out the cases of different people held under the Act and to prepare the list of those who were detained under Section 17(a), that after this list is prepared it would have to find out where these individuals are being detained, and that only then will it be possible for the overworked administration to pass the orders of release for these prisoners. Viewed in this way, the state government can hardly be blamed if this entire process takes several weeks. The onus is thus on the affected parties to go back to Court to seek damages against the government or the detaining authorities for the patently illegal detention spanning the period between the delivery of the Supreme Court judgment and the formal order of release in each case. But it is not so simple. They must be able to prove that the government had acted in a *mala fide* manner; otherwise their plaint is bound to fall through.

It is against this backdrop that one has to assess the possible consequences of New Delhi's coup against the Supreme Court — and, particularly, of Mohan Kumaramangalam's breathtaking announcement that, from now on, ap-

pointments to the higher judiciary would take place after due consideration of the social philosophy of the individual judges. It will be for the government of the day to determine what the current fashion is, and what criteria are to be applied for deciding what is 'backward' or 'forward' looking. For example, if the one thousand seven hundred and odd individuals in West Bengal, who have not been released despite the striking down of Section 17(a) of the MISA, were to sue for damage against the authorities, it would be for the judiciary to decide whether the dilly-dallying on the part of government was intentional or otherwise. The delay in issuing the release orders, the government may claim, was because it had to sort out the 17(a) cases from the non-17(a) ones; the persons affected could allege that the delay was on account of the fact that the authorities were using the time to concoct new cases against them so that they could be re-arrested as soon as they were let out. Called upon to arbitrate on the issue, how many judges would be henceforth found who would dare not to give the government the benefit of the doubt? Those who decide not to accord the authorities the benefit of the doubt might be put down as 'backward-looking' — or at least some members of the judiciary may well come to think so. The government's coup — and the explanations proffered in support of it — therefore deserves to be condemned, not because some individuals have been passed over for promotion, but because the judges after all are human beings, given to mortal ambitions, mortal apprehensions and mortal foibles, and, where the government is God, the individual members of the judiciary may indeed come to cultivate a healthy fear of that God. It is on such ground that authoritarianism can take root. And that, for the leading clique of barristers and other legal luminaries, the phenomenon of illegal detention or detention without trial does not connote the end of the world whereas the end comes for them only when some of their dear brothers are deprived of promotion, promises fertile ground for that authoritarianism.

Maharashtra

Twice Blessed Bagaitdars

Our Correspondent writes:

SWEET are the uses of the drought — for some. Last year, alarmed over the kharif crop failure, the Central

government launched its crash programme for boosting the output of rabi cereals. All sorts of miracles were claimed on behalf of the crash programme at one stage. In the event, the actual increase in rabi output is now estimated to be no more than 4 mn tonnes. How much of this increase is attributable to the crash programme, there is no knowing. What is known, however, is that at the very least some Rs 200 crores have been spent on the crash programme. Most of this money has gone to the main rabi foodgrains producing states. But the other states have had their share as well.

The Maharashtra Finance Minister had, while presenting the state budget for 1973-74, described the Rabi Crash Programme in ecstatic terms as "an extremely imaginative programme" — no doubt because, as he himself put it, it "is financed out of 100 per cent loan assistance from the Government of India outside of the Plan". The alacrity with which the Maharashtra government took advantage of the programme was evident in the Finance Minister's budget speech: "The amount sanctioned by the Government of India to us was nearly Rs 25 crores. This is not taking into account a short-term loan of Rs 16 crores given by the Government of India for purposes of seeds and fertilisers. Despite the fact that the government had to take this programme at very short notice and also that actual work began in October last, we are likely to exceed the expenditure sanctioned by the Government of India by a few crores."

From October last till now the Maharashtra government has spent over Rs 50 crores under the rabi crash programme. This is, of course, in addition to the spending on its normal agricultural programmes. Yet it has not occurred to the government to assess what has been the impact of all this spending on the output of rabi foodgrains. This coyness is only partly explained by the need to paint a grim picture of the food situation in the state so as to extract the maximum supplies from the Centre. The other part of the explanation clearly is that the state government does not want to draw too much attention to the beneficiaries of its lavish spending lest the question be raised as to what arrangements it has made to procure the additional foodgrain output for government stocks.

Given the government's deliberate silence on the subject, one has to rely on stray unofficial estimates. For instance, according to one estimate, in Ahmednagar district, big bagaitdars, taking advantage of government expenditure on the crash programme, have grown over one lakh tonnes of wheat on some 30,000 acres. This estimate has come from a leading Congressman of the area, E S Nimbalkar, a former vice-president of the Maharashtra Pradesh Congress. It may be argued that when the desperate need was to raise production, the government could not be too finicky about the benefits of its crash programme going to the larger farmers. But it needs to be asked, nevertheless, what has been done with the increased production. The fact is that, though monopoly procurement in Maharashtra was recently extended to wheat, none of the additional production as a result of the crash rabi programme has been procured by the government. All of it has been left with the bagaitdars for them to sell in the open market at fancy prices. Thus the bagaitdars of Maharashtra have been twice blessed by the drought. In the first place, it brought them the benefit of large government spending on the crash rabi programme, assured them supplies of fertiliser and seeds and even all-too-scarce irrigation water; on the other hand it has also ensured them sky-high prices for their increased production.

As the food shortage in the state has become increasingly critical resulting in empty fair price shops and food riots, instead of making any effort to squeeze out the grain hoarded by the bagaitdars, the state government has done precisely the opposite. The official press note on the state government's new foodgrains policy deserves to be quoted at length on this point. It says: "Government had issued instructions on 31st March, 1973, allowing agriculturists to take their levy-free wheat and jowar to weekly bazars or markets for sale after they obtain a certificate from the village talathi that it is levy-free stock. With a view to improving the arrival of levy-free jowar and wheat in the market yards and village bazars and to enable the consumers to get their requirements of foodgrains during the difficult situation now prevailing government have decided that the agriculturists should be permitted to move their stock of jowar and wheat without insisting on produc-

tion of levy certificate from the talathi. Government is pleased to reiterate that there would be free movement of jowar and wheat within the state excluding Bombay Rationing Areas. Collectors are also being instructed not to impose any restriction on the above free movement. Recognised dealers, who may be co-operatives or other suitable institutions, should make purchases in market yards or in bazars within the quantity limit fixed by the Collector of the receiving district or any officer nominated by him not below the rank of a Tahsildar."

In other words, having helped the bagaitdars in every way to increase their grain production in the name of the drought and the failure of the Kharif harvest, the Maharashtra government is now proceeding, in the name of the critical food situation prevailing in the state, to enable them to realise extortionate prices for their hoarded grain. Sweet indeed are the uses of the drought and the food scarcity for the bagaitdars of Maharashtra.

Small Farmers

No Structural Reform

THE Minister for Agriculture announced the other day in Parliament that credit for small farmers and the weaker sections would be liberalised. This statement came in the wake of the poor performance of the government's various "growth with social justice" schemes launched three years ago. According to official estimates, out of the Fourth Plan allotment of Rs 67.50 crores for the small farmers scheme, only Rs 9.88 crores has so far been spent. In the last four years the co-operative banks have disbursed only Rs 13.89 crores as short-term loans and Rs 21.54 crores as medium and long-term loans, while the commercial banks have disbursed Rs 0.94 crores as short-term loans and Rs 1.19 crores as long-term loans to small farmers. These disbursements are evidently much below the expectations of the government. Only about 15 per cent of the allotment for these schemes has so far been spent. No wonder the government is worried about the situation.

At a seminar on the SFDA/MFAL schemes held in New Delhi a year ago under the auspices of the Agriculture Ministry, it was stressed that the co-operatives would have to play a vital role in making these schemes a success. It is unnecessary to say that the co-operatives have come nowhere near ful-

filling their assigned role. That nothing better could be expected should have been clear to anyone aware of the root causes of the failure of these institutions to finance small farmers. The All-India Rural Credit Review Committee (1969) had analysed the reasons for the failure of the existing co-operative agencies to finance small farmers and came to this conclusion: "To some extent, this may reflect their lack of credit-worthiness which, in turn, is a result of the uneconomic nature of their farm business. To the extent that their consumption credit needs cannot be met within the limits of the repaying capacity as represented by a proportion of the value of their crop, the way out is to increase and institutionalise their income, e.g. through organised public works or the provision of subsidiary occupations such as dairy and poultry so that all their credit requirements may be met... we would emphasise that apart from these, there are a number of instances in which small cultivators are denied credit even when the amount is within their repaying capacity. A variety of facts account for this. The most important of these is the traditional conservative approach of the influential and better off sections of cultivators who dominate the co-operative and run it as a closed shop. Prejudice and indifference towards the small man — sometimes based on caste or other sociological factors — also account for this attitude of exclusiveness."

These considerations were, however, conveniently forgotten while formulating the small farmers' development agency schemes. It was expected that with certain marginal adjustments and procedural reforms the flow of credit to the small and marginal farmers would increase. One of the more important 'reforms' was the provision of a 'risk cover fund'. Wherever the co-operative agency took extra risk in providing credit to small farmers the risk of recovery would be covered by provision of a certain percentage of the loan advanced as a lump-sum grant to the society. The expectation is that as a result the society would feel confident enough to make larger loans to farmers engaged in "uneconomic business". But was it the risk of non-repayment that had stood in the way of disbursement of loans to small farmers earlier? Evidently not. The real obstacles were "the prejudices and indifference towards the small man" of those in charge of the co-operatives. The co-operatives are dominated and run as closed shops by the better off sections

of cultivators. While formulating the SFDA and MFAL schemes, the government did not touch these crucial problems and the results are what they are. Nothing short of a structural reform can cure such a deep-rooted and fundamental deficiency. It is necessary that the influential sections of the better-off cultivators in the villages should be dislodged from positions of dominance in the co-operative set-up. If the government is not prepared to take such a radical step, it would only be subjecting the small farmer to the agony of having the carrot of a fair deal perpetually dangling in front of him.

Asian Development Bank

Progressing but under Japanese Influence

THE ADB's annual report for 1972 shows that the Bank has made encouraging progress during the last five years of its operations. Also it has shown enhanced interest in commercial loans to the less favourably placed countries. ADB's loan commitments increased well over sevenfold, from \$41 million in 1968 to \$316 million in 1972, taking its aggregate loan commitments to a sizeable \$955 million in a short period of five years. Though the size of ADB's lending falls far short of the total requirements of the Asian region, the effectiveness of these loans has increased — as India has said it will not take any loans from ADB and as Japan, too, would not be a recipient for obvious reasons. Moreover, the performance of the ADB is far superior to that of the African Development Bank though both started their activities almost about the same time.

Though ADB's structure and method of operations are patterned similarly to the World Bank's, its sectoral lending appears to be different from that of the World Bank — probably because of the decisive voice of the Japanese in its management. ADB has laid greater stress on industry, agriculture and water supply by allocating nearly one-half of its funds as compared with the World Bank's 28 per cent for these. The allocation made by ADB to education is almost insignificant at 0.7 per cent of the total as compared to 2.7 per cent by the World Bank. It may be recalled that the World Bank, which started its activities on highly conservative lines by making only project loans for meeting almost exclusively the foreign exchange component of the projects, has come to accept the need for giving non-

project aid largely through its soft loan window — the IDA. The ADB does not appear to have recognised the importance of this type of aid in its lending operations.

Of the total loan commitments of \$954 million, about 79 per cent, or \$753 million, are from its ordinary capital resources and the remaining \$201 million from its special funds. The concessional loans granted out of the special funds are certainly on harder terms than those provided by the IDA. They bear an average interest rate of 2 to 2.5 per cent and have a repayment period of 25 years with a grace period of five years, whereas IDA credits carry only a service charge of 0.75 per cent and have a repayment period of 50 years with a grace period of 10 years. Similarly, the other loans granted by the ADB out of its ordinary capital resources are on much harder terms. For instance, the loan commitments made by the ADB during 1972 carry an interest of 7.5 per cent as compared with the World Bank's of 7.5 per cent and their maturity period is also shorter than that of the World Bank loans. Thus ADB's lending pattern as well as the terms fixed by it for its indicate that it is a much more conservative institution than the World Bank and has not tried to adapt its practices to suit the poverty-stricken Asian region.

The financial position of the ADB was strengthened last year through a substantial increase in its share capital, from \$1,194 million to \$2,986 million. Since only a small proportion of the share capital is called in, the ADB is expected to rely increasingly on market borrowings for its financial operations. Secondly, in view of the usual time lag between loan commitments and actual disbursement of funds, ADB's total borrowings are still small at \$230 million. Borrowings through bonds floated in Japanese and US markets totalled \$84 million and \$70 million accounting, respectively, for 36 per cent and 32 per cent — or together for over two-thirds — of the total borrowings so far. During last year, bond issues were made for the first time in Luxemburg and Italy — about \$9 million and \$18 million, respectively. It is interesting that, though Luxemburg is not a member of the ADB, it has agreed to participate in the development of the region. The present international financial situation is quite conducive to borrowing activities of institutions such as ADB, in view of the vastly increased loanable funds in the Euro-currency markets which are estimated to have doubled in the last

two years to over \$100 billion on a net basis. It should also be noted that Japan being the only capital-surplus country in the region, a large amount of the borrowed funds of ADB have to come from the non-regional developed countries.

While the voting powers vested in the regional countries is 76.5 per cent of the total, voting powers of Japan, India and Australia account for 20.2 per cent, 9.7 per cent, and 8.9 per

cent, respectively. Since India and Australia are not in a position to contribute materially to the crowning activities of ADB, and since Japan has accumulated huge foreign exchange reserves which it would like to commit for enhancing its own prestige and influence in the Asian region, one may expect ADB to continue its lending operations more and more on conservative lines as in the past, operating essentially under the influence of the Japanese.

DIRECTORATE GENERAL OF SUPPLIES & DISPOSALS DISPOSAL WING: COMMODITY SECTION

TENDER PROGRAMME FOR THE MONTH OF MAY, 1973

SL. No.	Tender No.	Location	Stores	Date of opening	Offers to remain open up to
1.	DGS & D/C PM/543987/16 dt. 4-1-73.	Cordite Fy., Aruvan-kadu.	Nitric Acid Plant.	25-5-1973	25-7-1973
2.	DGS & D/CPM/5439 91/46- dt. 12-4-73.	Custom House, Madras.	Watch spares.	29-5-73	30-7-73
3.	DGS & D/CPM/5439 88/18, dt. 4-1-73.	Tuticorine Harbour Project, Tuticorin-4.	Gantry Cranes.	30-5-1973	30-7-1973

Tenders should reach this office to the above named by 2-30 P.M. to be opened at 3.00 P.M. in public on the respective dates, mentioned above.

Each tender must be accompanied by the Deposit-at-Call Receipts, one representing 5% of the tendered value as Earnest Money and other representing 5% of the tendered value as security Deposit, subject to maximum amount of Rs. 1 lakh. Tendered forms containing particulars of stores, conditions of sales and permit to view the stores at site, etc. can be had @ Rs. 5/- per set payable in cash or by Money Order from the Cashier DGS & D, New Delhi, Director of Supplies and Disposals, Calcutta, Bombay, Madras, and Kanpur.

Tender fees are non-refundable and tender sets are non-transferable.

All sales are strictly on the basis of 'AS IS WHERE IS'.

OFFERS WILL BE CONSIDERED STRICTLY ON THE TENDER TERMS. IF THERE IS ANY DEVIATION OFFERS SHALL BE IGNORED. D.G.S. & D. RESERVE THE RIGHT TO REJECT ALL OR ANY OFFERS WITHOUT ASSIGNING REASONS THEREOF.

Parliament Street, New Delhi.

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CAPITAL VIEW

The Focus Is on Judges

Romesh Thapar

If the lawyers who have been protesting against appointments to the Supreme Court have proved anything it is that they are now about the most politically inept section of our society. The illiterate would have done better in an agitation which had the unthinking support of several sections of our people who imagine that they are the guardians of some unique kind of democracy.

As was to be expected, our lawyers proceeded to describe their clients — Shelat, Hegde and Grover — in the most euphoric terms. At one stage, it was planned to present them as outstanding legal luminaries. Reports appeared of weepy, weepy scenes. Yes, lawyers weeping... believe it or not. Then, suddenly, came the switch. Shelat, after all, was to retire in a few weeks. Grover was too obviously non-descript to be built up into any kind of figure. And, so, Hegde donned his armour.

It only required a single press conference by Judge Hegde to convince everyone that he himself was the proud possessor of all the qualities which he attacked in Judges — intensely political, committed, subjective and prejudiced. The press conference and the earlier mess of judgments from the Supreme Court, should have been the base of the government's counter-attack, a careful, persuasive exercise to convince the most confused that the Supreme Court needs urgent reformation and that procedures will be set up to ensure its genuine independence. The Prime Minister could have lifted the debate to this level by her own intervention — something along the lines of her comments in Kerala.

LOST OPPORTUNITY

But this was not to be. She decided to remain aloof and to let the lawyers in her team take up cudgels. Naturally, Mohan Kumaramangalam, attacked viciously by Hegde, fought back in similar style. Several of his statements, liable to misinterpretation, could have been less aggressive and better phrased. As for Law Minister Gokhale, he was found drumming a tune which had already been played. A great opportunity to educate the nation on the fundamentals of judicial independence in a fast-changing society was lost in the noise of

Significantly, while a whole motley crowd of political have-beens, opportunists and the like, are gathering regularly to denounce the "dictatorship" of Indira Gandhi, public attention is turning to revelations about the behaviour patterns of the judges of the Supreme Court. Enough has been published to cause misgivings, for considerable power is placed in the hands of these men. A closer look at the quality of the men appointed to the Supreme Court is causing further dismay.

Apart from the fact that the superseded judges got to their present positions by a process of superseding others — and the record of the senile luminaries leading the lawyers' agitation is none too bright! — it is most disturbing that some of the more recent appointments to the Supreme Court show that ability, reputation, or commitment to the broad objectives of national endeavour, were never considered. The probe is on, and it suggests that the Prime Minister's advisers in legal matters, particularly in appointments, have been pushing their friends and relations.

BALL STILL IN PM'S COURT

Whatever the damage done by the lawyers' agitation to the image of the Congress Party in the towns, the last word is still with Indira Gandhi. The final judgments on these developments will be passed after the vacancies in the Supreme Court have been filled. Any move to 'pack' the Court with non-descript yes-men will do irreparable damage to the status of the courts. Procedures must be set up which ensure that, while the judiciary is powerfully independent of the Executive, it is not in confrontation with Parliament. Naturally, such procedures must concern themselves with the selection of outstanding men. A judge cannot be a politician, but he possess a deep understanding of men and movements.

Even the most solid supporters of the ruling party, persons who see the urgent need for shaking the moribund institutions of the *status quo* and who seek no reward for their support, are worried by the lack of procedure and principle in staffing the judiciary. This has been a problem of long standing, but it assumes new importance following recent developments. Indeed, it is

the GOI could have addressed itself to this problem before shaking the lazy norms of Supreme Court promotions. The quoting of precedents from other countries is tiresome. We have to work out precedents for ourselves which will stand the test of crises in the future.

DEFINING AREAS AND CRITERIA

Appropriately, the focus is on the judges, their selection and appointment, their tenure of office, the guarantees for their independence, and the natural disciplines which should surround them. From this cogitation, many repercussions will follow. We are moving into a situation which will call for more wide-ranging structural changes in other areas of democratic functioning till now the preserve of small coterie of manipulators. May be, the GOI should start locating the areas instead of being pushed into them without proper preparation.

Fortunately, all this is happening against the background of an internationally-publicised scandal involving the US Presidency. This, I suppose, helps our imitative elite get things into proper perspective.

May 7

Firestone

FIRESTONE, USA, one of the world's largest producers of rubber and latex, produced 87 million pounds of natural latex during the company's fiscal year ending October 31, 1972, which represented approximately 15 per cent of the total world latex production. The company converted its Cavalla, Liberia, plantation to latex production exclusively several years ago and continues its replanting programmes with higher yielding trees. Latex production is expected to start at the company's Ghana Rubber Estates by 1975. World consumption of natural latex is expected to increase by 70 per cent over the next 10 years, according to Firestone. The company estimates that consumption will increase to 1 billion pounds by 1982 from 613 million pounds in 1972. The United States will continue as the largest market for latex, but European markets are also expected to grow rapidly in the next decade. The fastest growth, about 135 per cent, will be in the carpet industry, which already accounts for nearly half of all natural latex consumed in the US. Natural latex is also used in the dip-pod goods industry, rubber threads, adhesives and foam products.

Calcutta Diary

A M

THIS is an individual's sample investigation spread over a few cursory weeks, and may well therefore be somewhat imprecise. Still, a scanning of the so-called national newspapers, reveals, in the course of a period of six consecutive weeks recently, a particular Cabinet minister had on the average delivered five speeches a week. These are of course the speeches which got reported in the press. If, for each such speech reported, there was another which missed the limelight, the minister must have been on the public rostrum on the average for ten occasions during a single week. Since on each occasion he was supposedly talking on issues pertaining to his portfolio, there must have been a written text. The text must have been prepared by officials at a fairly senior level. These officials, in their turn, must have depended upon drafts sent up from below; the drafts too must have gone through a few intra-mural rubbings. A ministerial speech therefore embodies an impressive quantum of official resources, and let nobody ask what the opportunity cost is.

There are around fifty ministers in the Government of India. In the close to twenty states, barring minor exceptions, the average number of ministers should be, give or take a few, twenty-five or thereabouts. The ministerial population in the country must therefore be wobbling at the figure of one-half of one thousand. If each of them is as determinedly public forum-minded as the sampled Cabinet minister, the proportion of public resources expended on their speeches cannot but be staggering. The proportion of total newspaper space taken up by the speeches would be equally impressive. There is little ground for subscribing to the notion that the sampled minister is out of the ordinary. He is not; it would even be difficult to claim that he belongs to a particular species; he is just one of a genus.

A CULTURAL PATTERN

This fetish for the spoken word has been otherwise defined as oral eroticism. The overwhelming part of the cerebral energy is devoted to the concoction of words. It may be a surrogate function of actually doing something; in a manner of speaking, it reflects a kind of defence mechanism too. Mini-

sters have honestly come to think that their survival depends upon the frequency with which they find themselves mentioned in the press. Survival depends upon divinity, divinity in turn depends upon oracular pronouncements, but what is the point of oracular pronouncements if these are not published in newspapers? There is, besides, the harsh reality of competitive pursuits: if one minister addresses a couple of seminars on, for instance, automation and social justice, can another minister afford to be far behind: he too has to, for dear life, find a platform he can pontificate on socialism and export promotion. A cultural pattern therefore emerges. The newspapers sustain the ministers, ministers in their turn sustain the newspapers. It is a rather cosy arrangement whereby the papers divide their space between categories of advertisements: advertisements for the ministers and for consumer products and such like. The only difference between the two kinds of advertisements is that those for consumer products are paid for, while those for ministers are free. Depending upon the corporate tax rates, perhaps even 50 to 60 per cent of the total cost of the advertisements for consumer products are, in the final analysis, paid for by the tax-paying public, just as the entire expenses in connection with ministerial speeches are covered by them. Therefore it is the people who have to pay for the advertisements which the newspapers print. Advertisements are in the nature of importunings. Ministers importune, the producers of consumer goods importune, but those toward whom the importunings are addressed have to bear the cost. This does not make sense, but there it is under a system where the consumers are alleged to be sovereign and the people are allegedly equally sovereign to choose the politicians to rule over them.

A Cabinet minister, if he has to make ten speeches a week, cannot possibly have frighteningly original things to say on each occasion. He does not have the time to think, nor do his cronies who have the time to prepare the drafts. As in the case of consumer products, the emphasis therefore falls on packaging, the speeches are embellished by generous doses of smart-alecism. Cliches are touted as profundities. The corrosive game goes on all round the year, and year after year.

The tragedy is aggravated when ministers, at least some of them, come to believe in the packaged products, namely, themselves. They are by and large ordinary human beings; it is the quirk of politics which has pitchforked them into public prominence. But, in the manner of public relations hacks who hold as self-evident the banalities with which they describe their products, the ministers too, after a point of time, start to consider themselves as infallible luminaries. Perhaps, here too, the same defence mechanism is at work. In the current vogue of populism, when so much of sham is being propagated in the name of the people, the only stratagem by which the ministers feel they can survive is by creating a baffle-wall between themselves and the people. Which is why the kind of high living to which they transport themselves becomes a necessity. What begins as a necessity soon becomes a habit, and what becomes a habit after a while turns into a legend; from legend to godliness is the shortest possible haul.

BADGE OF SURVIVAL

Hypocrisy thus becomes the badge of survival. In the world of make-believe which newspapers and public relations agents help to create, fakery emerges as being indistinguishable from the face of reality. If you believe yourself to be God, you are God. A God is entitled to his ten perorations per week.

There is no retreat for the people either. It is Jean Paul Sartre's *Huis Clos*: they have to buy the consumer goods, and they have to read the reports on the speeches by the ministers. In the olden days, when one could subscribe to a journal like *China Reconstructs*, one was wont to make gentle fun of the droll reports in that journal of various economic and technical activities which were transforming that country. These were arid, heavy, dull stuff; it was often a torture to negotiate through the humourless reconnaissance of what Comrade Miss Ling or Comrade Master Lee had single-handedly achieved in this or that village in this or that remote province. In retrospect, were these however any inferior to the dreadful drivel which our newspapers serve — or are forced to serve — about ministerial doings? Could it be, one wonders, that the entire mystery of the disparate rates of economic growth of the two countries lies in this fact that while our newspapers consist of pontifications by ministers, *theirs* consist of narrations of events? Where achievements are

short, you necessarily have to fill in by invocations of divinity.

This difference also permeates the style of living. A Chou En-lai is entitled to use a Government car only when he is on official duty. After hours, or on a day off, if he wants to drop in on friends and relations, he has to ride his bicycle. Such a thing would be un-

heard of in our climate: divinities do not ride on bicycles. Politicians set the style, but why pick on politicians alone? Academicians like Ragnar Frisch in Norway or Jan Tinbergen in Holland used to reach their offices on bicycles. Make a similar suggestion to their counterparts here: they would rather be dead.

LETTERS TO EDITOR

Comprehensive Area Development Programme

A SPECTRE of zachitis is haunting A.M. At least so it appears from his Calcutta Diary in the issue of February 17, 1973. It has blurred his vision so much that he cannot distinguish between the Comprehensive Area Development Programme drawn up by the State Planning Board in West Bengal and the agricultural developments in the Punjab, Haryana and Maharashtra. He misses the point by a mile when he finds in the CADP scheme the provision for compulsory land consolidation. Some of his observations regarding integer programming based on continuous masses of land consisting of 10,000 acres perhaps follow from this. CADP does not call for any consolidation of holdings. It aims at co-ordinating all the developmental activities undertaken by the different governmental agencies in an area under a local Project Authority to be set up for the purpose. The objective is to select initially areas where such a concerted effort is likely to yield maximum returns by proper planning of the pattern and intensity of cropping and through generation of secondary employment. Activities ancillary to modern agricultural processes, e.g. operation and servicing of mechanical equipment, marketing of inputs and output, etc. and industries based on agricultural products are planned for the total area as a unit. A characteristic consequence of the type of uncoordinated development activity undertaken so far is the underutilisation of the scarce infrastructure facilities even when they are provided at a great cost. This is due very often to a lack of complementary facilities in the same areas. Investment on complementary facilities in such areas will enable fuller utilisation of the infrastructural facilities created so far. All this has been termed as "technological consolidation" as

against ownership consolidation.

Some confusion is reflected in the statement by A.M. that the development process in the state will not proceed beyond the boundaries of the CADP areas, which can be 10 per cent of the aggregate cropped areas at most, during the Fifth Plan period. This is far from being true. None of the developmental programmes of the different governmental agencies meant for the whole of the state is being curtailed. The main thing is that their activities in the CADP area will be co-ordinated under the local Project Authority, leaving priorities in other areas to be determined by agencies currently responsible for them. To the extent a CADP area receives special attention from the agencies the other areas may seem to suffer. But the aggregative returns for the whole state is expected to be appreciably larger by such allocation of resources. Since natural resources like water, soil and other factors are not evenly distributed over land, one has to submit to the natural advantages in according priorities to sites for agricultural development.

The credit system proposed in the CADP area is aimed to complete elimination of the mahajani system of money-lending which can charge a rate of interest as high as 100 per cent per annum, or even more. The Project Authority in the CADP area will provide the entire credit, including that required for maintenance, directly to the tillers at the market rates used by the commercial banks. Since the whole of the area is to be brought under the scheme, plot by plot enumeration will be undertaken to identify the actual tillers on the soil. The Project Authority will purchase the produce from the cultivators directly and arrange for their storage and marketing through official

agencies. The producers can be given advances against any stock deposited with the Project Authority which will share any profit that may arise from marketing operations with the producers. The cultivators would be relieved from the burden imposed on them by the intermediaries through this process. Subsidy now available for small and marginal farmers along with a system of rebate for prompt repayment of loans is to be introduced to free the poor peasants from the burden of usurious debts. The deficits on this account for a project will be met from the aggregate surplus earned by the Project Authority from its activities. This is a built-in mechanism for redistribution of income within the project area.

Since the source of inspiration for the scheme to its originator lay in years of experimentation in actual field work within the state itself its provisions are more earthbound compared to schemes advanced hitherto. CADP envisages the need for strict enforcement of the existing enactments regarding the ceiling on land, share of the sharecropper and debt settlements in the state. It calls for conferring statutory powers to the Project Authority to implement the legislations on land reforms. It is a pity A.M. ignores the distinctive features. He has given the dog a bad name, zachitis, and then simply hanged it.

D Bose

Calcutta

How to Judge a Judge

CONSIDERING that lawyers-turned-politicians have long dominated the Indian political scene, it is not surprising that the out-of-turn appointment of one of the judges of the Supreme Court as the Chief Justice of India has attracted all-round attention and given rise to widespread debate. In comparison, the "angry and hungry" crowds — as the Press described them — of food-gatherers turning into rioters, in Nagpur and in other parts of the country, seem to be of only secondary importance, though the issues involved here are fundamental.

Appointments to high offices have long since ceased to be relevant to the common man. Moreover, if civil service rules lay down that merit and not mere seniority is the criterion for promotion even for low-paid functionaries, why should it be any different for such important office as that of the Chief Justice of India?

The only question that would remain unanswered is, how to judge a judge.

But if — as has come to be accepted — the initial appointment to the Bench is largely a matter of political selection, why should the introduction of just the same process in the further selection to the highest office be condemned?

Only those who are unduly naive would continue to believe that for appointments to public offices there is a process of selection based on merit — a *queue*, as it were, where people take their turn in the order of their relative merit. The era of patronage dawned years ago in this country, and it is engulfing slowly but surely the areas left untouched. There is nothing new to cause undue concern to any discerning observer.

The reported appointment of a number of top private sector executives as 'Advisers' to the Planning Commission with almost the highest rank that could be given within the permanent executive, is another instance. There are no discernible objective criteria on the basis of which the selections have been made. They are just made, and that is all. Further, while on the one hand the ruling government condemns the business houses it is these very houses — such as Hindustan Lever, Union Carbide, Mahindra and Mahindra not to speak of Tatas — that contribute top executives and policy-makers to the government! But to be correct, this too is not new: the Petroleum Ministry at the Centre had always the reputation of being advised by an adviser drawn from Burnah Shell.

The crucial point is that there is no such thing as 'policy' known to government. Only expediency, pure and simple. If this is kept in mind, the apparent mystery about the actions of the government will easily dissolve.

K SARIN

Delhi

Fifty Years of Soviet Achievement?

APROPOS, our article 'Fifty Years of Soviet Achievement?' (Volume VIII, Number 8, February 24, 1973), we are surprised at the title which is different from the one we had originally given and does not, we feel, represent our viewpoint. We have no doubt about the many achievements of the Soviets over the last five decades. And in our article, we have tried to present a brief-account of the seminar together with a gist of

the papers presented for discussion at the seminar.

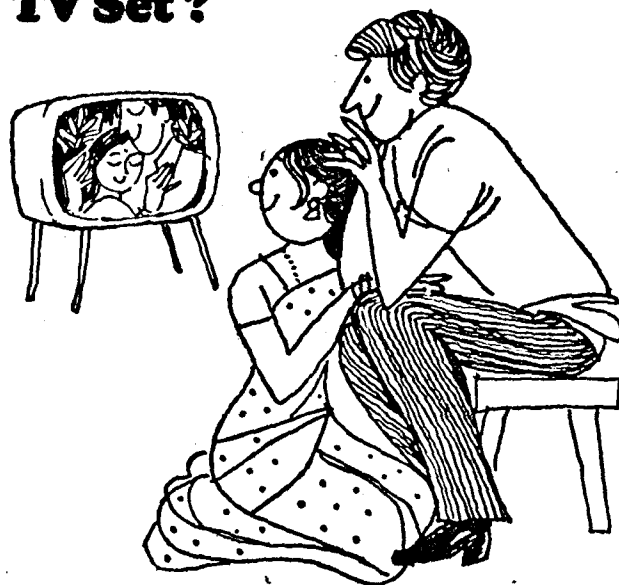
There is also a printing error in the last sentence of the first paragraph in column two (p 451). The sentence should read: "Similarly, it was observed that the contribution of private farm-

ing might not be as large as was pointed out in the paper". The word 'not' is missing in print.

R G GIDADHUBLI
VINOD MEHTA

Bombay

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Production Suffers but Dividend Unchanged

Hansavivek

DUNLOP INDIA has secured a 'letter of intent' for manufacture of steel cord and textile reinforced conveyor belting and fan and vee belts at a new factory in Goa, but its proposal to expand capacity at the Ambattur factory by two lakh tyres and tubes with the addition of balancing equipment is still under government's consideration. The expansion programme for 2.5 lakh automotive tyres and tubes at Ambattur was completed during 1971, but total tyre production in 1972 was lower than in the previous year owing to heavy production losses at the Ambattur factory on account of go-slows and strikes, culminating on two occasions in the declaration of lock-outs. As a result, a total of 84 working days were lost during 1972 and another 23 days during the current year. The company's

offices in Calcutta had to remain closed too for more than 45 days owing to unrest created by "an unrecognised splinter union, in its bid to obtain recognition". Total production of automotive tyres was 15,68,000 against 17,23,000 last year, and the installed capacity of 18,00,000. Automotive tubes production was 15,49,000 against last year's production of 15,88,000 and installed capacity of 17,00,000. Although domestic sales of non-tyre products, such as conveyor and transmission belting, hoses, and fan and vee belts, increased by 18 per cent, the company's total net sales were slightly lower than in the previous year. Gross profit dropped by 42 per cent, owing to increases in costs. Despite substantially lower provision for taxation on account of the reduced profits, together with increased

capital allowances on the expansion projects completed during the year, net profit was more than halved. A good part of the unchanged dividend of 20 per cent will come from the past reserves.

The company was permitted by government to issue 10 lakh equity shares of Rs 10 each at a premium of Rs 11 per share as 'rights' on a one-for-ten basis against its application for issue of 15 lakh shares at a premium of Rs 4 per share on a 3-for-20 basis. Dunlop continued to be the largest exporter in the tyre industry, by exporting to 79 countries and earning a total of Rs 322 lakhs in foreign exchange. The company exported a variety of goods, including bicycle accessories and sports goods made by small-scale manufacturers. The chairman observes that there has been no increase in automotive tyre and tube prices since November 1968 and that the Bureau of Industrial Costs and Prices is yet to make recommendations on the company's application in early 1971 for a price increase. He adds that costs have been conti-

The Week's Companies

(Rs in Lakhs)

	Dunlop		Woolcombers		Polyolefins	
	Latest Year	Last Year	Latest Year	Last Year	Latest Year	Last Year
	31-12-72	31-12-71	31-12-72	31-12-71	31-12-72	31-12-71
Paid-up capital	1070	1070	105	105	540	540
Reserves	1338	1582	95	74	467	245
Borrowings	618	1064	1	67	620	701
of which Term borrowings	397	500	—	—	585	661
Gross fixed assets	3284	3102	235	229	1328	1270
Net fixed assets	1813	1809	64	69	965	986
Investments	18	16	107	107	3	—
Current liabilities	1931	1744	74	63	101	93
Current assets	2983	3314	104	133	742	582
Stocks	1997	1820	28	35	148	179
Book debts	882	1260	75	98	338	255
Net sales	7514	7638	421	325	1010	950
Other income	59	67	20	17	28	36
Raw material costs	4701	4709	93	33	336	316
Wages	1327	1183	91	85	87	70
Interest	139	120	2	9	55	62
Gross profit (+)/loss(—)	438	751	121	89	350	324
Depreciation provision	187	148	10	11	82	79
Tax provision	72	225	77	54	—	—
Net profit (+)/loss(—)	179	378	34	24	268	254
Development rebate provision	37	61	—	1	145	135
Transfer to reserves	—88	112	21	11	38	—
Dividend						
Amount	P 5	5	13	13	65	54
	E 220	200				
Rate (per cent)	P 8&5.50	8&5.50	12	12	12	10
	E 20	20				
Cover (times)	0.60	1.56	2.61	1.85	1.89	1.00
Ratios (per cent)						
Gross profit/sales	5.83	9.83	28.74	27.38	34.65	34.10
Net profit/capital employed	5.91	10.74	16.86	9.25	16.47	16.48
Inventories/sales	26.57	23.83	6.65	10.77	14.65	18.84
Wages/sales	17.66	15.48	21.61	26.15	8.61	7.16

uously rising and that the last Budget would have the effect of further inflating raw-material costs by Rs 150 lakhs in a full year. Prospects for the immediate future, according to him, are "even more disturbing" owing to the drastic power cuts in Tamil Nadu — on account of which production at the Ambattur factory has been at "minimum levels". This situation is likely to continue for the first half of the year.

WOOLCOMBERS OF INDIA has secured 'letters of intent' for expansion of combing capacity by 1.5 million lb per annum and for installation of 600 shoddy spindles, both to be in Uttar Pradesh. Land for these projects is being acquired; and applications have been made to government for import of suitable machinery. The company has manufactured, for the first time in India, lanolin anhydrous suitable for the drugs and cosmetics industries. Orders have been placed for import of machinery required to replace some of the old noble combs. The company received, for the first time, a 'token' licence for the import of raw wool. The tops produced thereof met with good demand and their sales increased from Rs 44 lakhs to Rs 152 lakhs last year. Production of wooldrops during the first 8 months of the year was satisfactory, but fell from September owing to 'go-slow' tactics by workers. Frequent power shutdowns were also responsible for the drop in output. While total net sales increased by 29 per cent to Rs 421 lakhs, gross profit advanced by 36 per cent to Rs 121 lakhs. Borrowings were almost entirely repaid, and the ratios both of inventories/sales and of wages/sales were brought down appreciably. Equity dividend, maintained at 12 per cent, found a much better cover than in the previous year. The board has also recommended issue of bonus shares on a one-for-five basis. The company has made investments of Rs 107 lakhs in shares of other companies, including Rs 93 lakhs in the subsidiaries — Indian Fibres and Jubilee Mills. Jubilee Mills' working last year was affected by 'heavy inroads' made in the powerloom processing work by processors not using power and enjoying a favourable excise tariff. The company's application under Section 372 of the Companies Act for the purchase of shares of Swan Mills is still pending with government. The company has invested about Rs 14 lakhs in shares of Swan Mills. Notes appended to accounts reveal that the company is contingently liable for an estimated Rs 55 lakhs — being increase in wages, etc, in terms of an Industrial

Tribunal Award, appealed against by the company. The number of employees entitled to receive emoluments, amounting to Rs 2,000 or more per mensem, increased from 8 to 13 over the year.

POLYOLEFINS INDUSTRIES' directors say that the Income-tax Department has invoked the provisions of Section 154 of the Income-tax Act to withdraw the development rebate of Rs 316 lakhs granted for 1968, allowing it to be carried forward and to be set off against future profits. This has been done presumably on the ground that the necessary statutory reserve has not been created in 1968. The company has been advised that, in view of the losses incurred in that year, it was not incumbent upon it to create any statutory development rebate reserve. A writ petition has been filed in the Bombay High Court, which is likely to come up for hearing shortly. According to the company's calculations, the statutory development rebate reserve to be availed of as at the end of 1972, in respect of plant and machinery, is estimated to be Rs 280 lakhs. Last year, a reserve of Rs 145 lakhs was created. Of this amount, about Rs 4 lakhs relate to expenditure on plant and machinery installed in the year and the balance to expenditure on plant and machinery installed in earlier years. PIL has received the industrial licence for expansion of manufacturing capacity, from 20,000 tonnes to 30,000 tonnes per annum. Last year, the company manufactured 'Hostalen' almost to its licensed capacity, in spite of the planned biennial shutdown for overhauling of the plant and machinery. Despite the pressure on costs, the company maintained a stable price policy as well as profitability by improving the performance of the operations and by better utilising plant and machinery. The company has taken steps to implement the project for manufacture of n-Butene-1. Dividend has been stepped up two points to 12 per cent, which actually finds a better cover than last year.

ASHOK PAPER MILLS, which was established in 1957 for setting up an integrated pulp and paper mill at Rameshwarnagar in Darbhanga district of Bihar and could not complete it owing to paucity of funds, is now being helped by the governments of Bihar and Assam and the financial institutions to rehabilitate the original project and also to put up a new unit at Jogighopa in Goalpara district of Assam. Total cost of both projects is estimated to be Rs 26.14 crores, of which Rs 6.53

crores represent net investment already made at Rameshwarnagar. The balance of Rs 19.61 crores is proposed to be raised by issue of additional share capital (Rs 4 crores), loans from IDBI, IFCI, ICICI and LIC (Rs 15 crores), and deposits from dealers (Rs 61 lakhs). In order to wipe out the accumulated losses incurred over the years, the company's share capital was reconstructed by reducing the paid-up value of equity shares, from Rs 10 to Rs 1.50 each. The company is now issuing additional equity capital of Rs 4 crores in shares of Rs 1.50 each. Of this, the governments of Assam and Bihar will take up Rs 143 lakhs and Rs 57 lakhs, respectively, and the public will be offered shares of the total value of Rs 2 crores. The entire public issue has been fully underwritten by IDBI. The subscription list will open on May 18 and close on May 30, or earlier, but not earlier than May 21. A part of the plant and equipment of the Rameshwarnagar unit is proposed to be shifted to Jogighopa, where abundant raw materials, water, power and transport facilities are available, to raise the daily capacity to 120 tonnes of pulp and 90 tonnes of paper. Also, certain sophisticated machinery is intended to be installed at Rameshwarnagar for production of 40 tonnes of speciality paper and 10 tonnes rag pulp per day. The Jogighopa unit will supply 30 tonnes of dry bamboo pulp per day to the Rameshwarnagar unit, which is expected to go into production by December next. The Jogighopa unit is scheduled to go on stream by May next year.

ANDHRA BANK has earned a net profit of Rs 16.11 lakhs for the year ended December 31, 1972 against Rs 12.21 lakhs in the previous year. The Reserve Fund and other Reserves received Rs 9 lakhs raising it to Rs 60 lakhs against a paid-up Capital of Rs 50.44 lakhs. The dividend has been stepped up to 10 per cent from 8 per cent. Deposits of the bank rose to Rs 109.50 crores from Rs 79.91 crores, representing an increase of 37 per cent. Advances increased to Rs 68.51 crores from Rs 52.48 crores, representing an increase of 30.5 per cent. Investments were higher at Rs 38.19 crores (Rs 30.44 crores). Advances to the priority sectors, viz, agriculture, small-scale industries and exports, were Rs 19.87 crores which was 29 per cent of the total advances spread over more than 81,000 accounts. During the year under review 40 branches were opened out of which 35 are located in Andhra Pradesh. The Bank had 278 branches as at December 31, 1972.

WANSON (INDIA), Poona, manufactures Wanson Thermopac, India's first liquid-phase heating system. It uses easily available thermal oils in a closed circuit to carry heat to the process and back while remaining in the liquid phase at temperatures in excess of 300°C. The Thermopac consumes only 5 per cent of the power required

for all-electric systems and the total operating cost is 75 per cent lower. It can replace electricity for most industrial heating requirements with connected loads from 50 kw to 1000 kw. The Wanson Thermopac is made in collaboration with Establishments Wanson of Brussels.

case, the system cannot work properly without sufficiently stringent controls on prices and distribution and the establishment of joint organisations of producers to administer the controls.

Whatever the solution that is finally accepted, what these exercises imply is that a significant upward revision of prices of industrial products is now considered necessary. As it is, food prices have been exerting much pressure on the general price level in recent years. Now it is expected that the prices of manufactures will do the same. In these circumstances, it is apparently pointless to talk of holding the price line, much less of bringing down prices — as government spokesmen sometimes do lightly in Parliament and outside.

FROM OUR CORRESPONDENTS

NEW DELHI

Costs, Prices and Profits

THE latest bout of inflation in the economy has once again raised the spectre of Indian exportables getting priced out of world markets. This threat is sought to be met, predictably, by adding to the plethora of export incentives, tax concessions and fiscal subsidies. But it is not only exports that have to reckon with the price barrier. The problem arises also in connection with new investments in the economy. At the present level of prices of capital goods, specially after the steep increase in the last Budget in customs duty on imported machinery and equipment, which still form an important component of new investment, it is becoming difficult to realise an adequate rate of return on new investments. Investors are, therefore, not interested in committing investible funds to new ventures. It is not the political uncertainties, nor even the apprehensions about the radical postures of the ruling party, including the recent nationalisation measures, which are holding up investment. It is the prospect of poor returns. Not only private industry and business but the government also is convinced that something has to be done to improve the profitability of investment. The Industrial Development Ministry and the Heavy Industry Ministry are particularly concerned about this.

The problem does not concern the private sector alone. It has a vital bearing on public sector investments as well. Consider the proposed new steel plants, for instance. The capital cost of these plants or even that of the substantial expansion of existing plants such as Tisco or Bhilai will be so high that they cannot be expected to make any profits at all, even if they are ably designed, efficiently constructed and operated at full capacity. The same applies to several other projects propos-

ed to be taken up in the public sector. From these considerations originated the idea in the Industrial Development Ministry of tackling the problem from the side of prices of end-products. This approach now has the support of the Ministry of Heavy Industry as well. The suggestion is that the price structure should be so readjusted that it will ensure economic returns on investments. No final decisions on this problem have been taken so far, but some interesting proposals have been put forward.

One of the proposals to emanate from the Industrial Development Ministry is that there should be a two-tier system of prices under which the old units will continue to receive the prevailing prices for their products while the new ones, set up at higher capital cost, will be entitled to higher prices. This arrangement would be obviously very difficult, if not altogether impossible, to administer. How can the buyer be compelled to pay different prices for the same product in the market? The proposal was then modified and it was suggested that new units should be allowed substantial excise and other rebates to make their products competitive with those of the older ones. This comes up against the objection that, as a result, the fiscal structure will be further complicated and, further, that it would amount to subsidising the new units from the public exchequer. The idea that is now being canvassed most forcefully is that there should be a system of pool prices which will compensate the new units to the extent necessary to offset their capital cost disadvantage. The administration of the pool prices is also a tricky business, however. It has already been attempted in the case of steel, coal, cement and some other industrial products. But the experience has not been very satisfactory. In any

Holding Companies: Losing Appeal

The idea of forming holding companies to improve the efficiency of public sector enterprises is fast becoming a subject of ridicule. The recent statement in Parliament by the Finance Minister, in reply to a question, that his Ministry was thinking of organising a holding company for all the government financial institutions has only added to the merriment on this subject. We already have in the Finance Ministry the Department of Banking which was organised after the take-over of the 14 larger commercial banks. This Department may justifiably claim that it is the holding company for the public sector banks just as the Minister of Heavy Industry claimed, while rejecting the proposal of a holding company for machine tool units, that his Ministry was itself a holding company for all the activities and undertakings under its charge. Is the idea that another full-fledged department — dressed up as a holding company, which is the fashionable thing these days — be organised in the Finance Ministry on the pattern of the existing Banking Department?

The justification put forward for forming a holding company for the public financial institutions is interesting. According to the Finance Minister, since all the public institutions gave loans to or held shares in private sector companies, there was often some duplication. Also, these institutions were not able to organise effective participation in the management of the private companies. The holding company, as the apex body, would be able to co-ordinate the working of the financial institutions in both spheres. It

would exercise the rights flowing from ownership of shares and from lending to private sector companies and nominate government representatives on the boards of these companies.

So far the idea had been that the holding companies for various industries would exercise this function in respect of the shares owned and loans given by public financial institutions in respect of private sector companies within their sphere. The proposal to set up a holding company for the public financial institutions runs counter to this idea. Could it be, then, that it is a move to clip, howsoever slightly, the wings of the steel holding company, which was to exercise the rights of public financial institutions in Tisco and other private sector companies falling within its scope. In the present climate of New Delhi marked by constant jockeying for power and influence not only by ministers but by high officials as well, and by shifting patterns of alliances and conflicts at different levels of the government set-up, all manner of moves may be expected to be made for reasons other than those openly stated.

Whatever the reasons which prompted the Finance Minister to talk of a hold-

ing company under his ministry, the holding company concept is apparently beginning to lose some of its appeal. The Industrial Development Minister is maintaining a total silence on the subject while the Heavy Industry and Food Ministries have declared their distaste for the idea. Not that the holding company concept has no supporters left. For instance, the Action Committee on Public Undertakings, under the chairmanship of Planning Commission Member M S Pathak, strongly favours it, particularly for the fertiliser industry.

In the meanwhile, the only holding company actually floated so far, the Steel Authority of India Ltd, has little to show for itself. It is still at the stage of being assembled and housed. The chairman of the holding company, who incidentally took charge of the Ministry of Steel as its Secretary before assuming the office of the chairman of the holding company, appears to have got sucked into the routine functioning of Secretaries to government departments. Indeed, from the looks of it, his primary position has become that of Secretary to the Ministry and his office as chairman of SAIL appears as a sort of *ex-officio* position.

WEST BENGAL

Public Demonstration of Internal Crisis

THE house that Congress built in West Bengal only about a year ago is all in shambles now — apparently due to irreconcilable factional infightings. Physical assaults, including murders and attempted murders, local bandhs, demonstrations and counter-demonstrations, ultimatums to the Chief Minister with conflicting demands by the rival factions, are all part of the workaday routine in intra-Congress politics at present. All this finds its echo in the Assembly Chamber — resounding from the Speaker's right. If, and to what extent, these surface manifestations of irreconcilable contradictions within the Congress ranks are due to deeper social malaise, can be left to social and political scientists to settle.

Meanwhile, to recount some of the very recent events in the State capital itself. First, there was a reported assault on a city Congress MLA, soon followed by the shooting of a youth leader of the rival faction. Then there were two consecutive days of local bandhs, in protest of the shooting; leading MLAs of the faction, to which the injured youth leader belongs, organised a pro-

test demonstration in front of a local *thana*; they also submitted a long list of 'rowdies' to the Chief Minister demanding their arrest within 48 hours. During the next few days, the police picked up 11 persons, apparently from the list supplied. There followed another short bandh in the extremely vital Sealdah area, in protest against these arrests — particularly of a student leader who was also caught in the net.

The Sealdah bandh paralysed the transport and normal life of an important city nerve-centre, from early morning to 1 p.m. It also prevented many school final examinees from reaching the examination halls in time. The bandh was withdrawn only after the Chhatra Parishad leader and Minister of State for Home (Police), Subrata Mukherji, arrived at the scene. The bandh had been organised by his faction of students and youth leaders. This faction, for its part, served a 72-hour ultimatum on the Chief Minister, demanding an end to the police *zuloom* against the Congress workers of East Calcutta — particularly against those following the leadership of Priya Das Munsi, MP, and

curiously, the Police Minister, Subrata Mukherji.

About the same time, the General Secretary of the South Calcutta District Congress Committee issued a public statement protesting against the actions of some Congress MLAs who were "trying to organise police atrocities on devoted Congress workers" by branding them 'rowdies'. The statement levelled counter-charges of 'rowdism, black-marketing' etc, against those MLAs. The chief spokesman of this group of Congress MLAs, in turn, publicly expressed his intention to seek protection of the Assembly Speaker as, he said, he felt insecure and threatened. The chain reaction thus goes on gathering momentum.

If the infighting of the Congress in the city proper has a bizarre look about it, it assumes a more dangerous aspect in the suburbs. A suburban Congress MLA complained in the Assembly that "Belgharia had become a paradise for rowdies who were moving freely about with bombs and pipe-guns in broad daylight. Elected representatives could not enter the area for fear of being attacked. Hooligans were masquerading as Congress workers and assaulting 'real Congressmen'." He further said that, on April 29, at about midday, nearly 200 rounds of ammunition had been spent by anti-social elements in the Belgharia area after "two notorious anti-socials" had been arrested in the morning. Three persons, including a girl, were accidentally hit in the wild and indiscriminate firing which the anti-socials resorted to "as a means of spreading terror", he added.

Significantly, both of the rival factions, while making contradictory demands on the State Chief Minister threaten him that they would lodge complaints with the Prime Minister if their demands go unfulfilled within the stipulated time. Caught in the cross-fires of the two groups, the condition of the two groups, the condition of the Chief Minister has become quite pitiable. Though, the other day, he told some press correspondents that "the situation has not yet reached such a pass that one should give up everything else and devote one's attention solely to them [the rival factions]", in reality Ray's efforts for reconciliation, in which he was prompted by the Prime Minister herself, have failed dismally — his private dinner to the leaders of the rival factions notwithstanding.

The bitter clashes between the two groups of the young MLAs of the ruling

party have spilled over into the mass fronts. The Chhatra Parishad is virtually split into two; and the Congress trade union front, divided into three broad groupings, is in worse straits. The Calcutta University Students' Union, captured by the Chhatra Parishad in the last election, is deadlocked as a result of the intra-Congress clashes. And infightings among the Congress trade unionists have led to strikes, lockouts, and closures of many establishments.

If the younger MLAs are bent on settling scores by violence and bandhs, their elders, including middle-aged ministers, often resort to even cruder methods. The comic-opera episode, in which, Health Minister Ajit Panja, temporarily holding the Local Self-Government portfolio, led a procession of garbage-laden lorries from the city to the suburban residence of the Commissioner of the Calcutta Corporation and bullied him into giving in writing the impossible commitment that the city would be freed of the long-accumulated refuse within a week, was not exactly an innocent indiscretion. It was a calculated move in the tussle, over the

NORTH

Hope from the Himalayas

PERHAPS the most encouraging news of the past fortnight for the northern region is about the fast melting of the snows on the Himalayan slopes. The entire economy of Punjab and Haryana, and to some extent also of Rajasthan, hinges upon this phenomenon. For three years running, 1970 to 1972, sufficient quantities of snow did not melt owing to the spells of cloudy weather in April, May and part of June. Though the people of the plains were thus spared the agony of a sweltering summer, the overshadowed sun almost proved disastrous to their economy, which is governed by Bhakra power the quantum of which in turn depends on the flow of water into the huge reservoir known as Gobind Sagar. When this reservoir gets only half filled, owing to inadequate melting of snow in the April-June period and scanty rains in the catchment areas of the Sutlej in July-August, both power generation and release of water for irrigation suffer a setback. The recurring power crises during the past three years were particularly disconcerting. Thousands of tubewells in Punjab and Haryana were rendered idle. The power cuts caused heavy losses to agriculture and industry — officially estimated at over Rs 100

crores in Punjab alone — apart from untold hardship to industrial workers as a result of curtailed shifts in factories and lay-offs.

leadership of the North Calcutta District Congress Committee, with the permanent holder of the Local Self-Government portfolio, Prafullakanti Ghosh. Ghosh had been temporarily relieved of his portfolio, following his hospitalisation after a serious jeep accident. Panja's quixotic move was, conceivably, calculated to achieve two results; first, to outshine Ghosh by recording some major achievement during his temporary tenure of the Local Self-Government department — and, for this, he was delaying the relinquishment of his temporary charge, despite strong pressures from Ghosh —, and second, to humiliate an officer picked up by the latter for the Corporation's key post. The whole thing backfired, however, and Panja himself became an object of criticism and ridicule.

The inner crisis of the Congress has assumed such major proportions that the State Congress leadership is having second thoughts about carrying through the planned series of district and block-level conferences, lest they turn into a public demonstration of an insoluble internal crisis.

RELiance ON HYDEL POWER

The basic flaw in the set-up is the excessive reliance on hydel power. The planners failed to anticipate the possibility of acute shortages of water and provide alternative means of power generation to meet the mounting demand. Ill-planned electrification programmes at the behest of politicians have also been partly responsible for the current gap between demand for and supply of power, estimated at 450 MW. In the 1971 summer — a particularly bad season for Bhakra — the inflow into Gobind Sagar was at times less than 5,000 cusecs, as against the normal 8,000 to 9,000 cusecs. Since then, the outflow has often been twice the inflow as a result of which the water level has been falling steadily, almost reaching the "dead level" of 1,440 feet after which power generation has to be stopped to save the turbines from damage. More or less the same situation continued during 1972, resulting in frequent power cuts in the northern states.

This year the snows have yielded to the blazing sun and the depleted Bhakra reservoir has started filling up. The present inflow of 19,000 to 19,500 cusecs is believed to be a record, exceeding the 17,758 cusecs touched in 1956. The increase in the water level has gladdened the hearts of Bhakra engineers who have described the April and early May inflow as "something unique". During the fortnight ended May 5, the water level increased by 23 feet. This may be taken as a guarantee of restoration of power supply and hence of brighter prospects in both agriculture and industry, especially if the rain-gods smile on this region once again. In fact, the engineers' calculations are that the coming year would be the best for Bhakra. An expert team from the Geological Survey of India is already probing the effect of the thaw of the glaciers on the inflow into the lake.

In the meanwhile, however, with the 16,000 powermen's strike in Haryana showing no sign of an early end, because of the adamant attitudes of status-conscious Ministers and bureaucrats, the industries in that state are grinding to a halt. Initially, the state's Electricity Board was able (through special accommodation provided on request by the Bhakra Management Board) to show that power supply was "even better than normal" despite the strike. But the pretence could not last, and gradually the reality has dawned upon the authorities that the public cannot be misled. The strike gained momentum, with large batches of powermen offering themselves for arrest in Delhi and many jails filled to capacity. After remaining "stern" for over three weeks, the Board officials agreed under Central pressure to start negotiations with the strikers' representatives. However, since the government is unwilling to yield ground, the talks have reached a deadlock.

Incidentally, Haryana has gained the dubious distinction of having seen prolonged strikes in quick succession by one category of government employees and then another, with the authorities each time adopting a callous attitude. Chief Minister Bansi Lal's "firmness" misfired in the college teachers' strike last winter, then in the school teachers' strike (during which the government pursued a systematic campaign to terrorise the teachers) and also in the current agitation of non-gazetted powermen. The powermen's demands are simple enough — implementation of a recent agreement for the grant of interim relief and removal of anomalies

in pay-scales. The latest threat comes from subordinate government employees and road transport workers who intend to go on strike from May 12. Since the state government launches a campaign of repression whenever there is a strike, the agitators shift the scene of activity to Delhi. The Organising Secretary of the Haryana Subordinate Services Federation, who is on a fast-unto-death in Chandigarh in support of the powermen's strike, has urged the state government to read the writing on the wall and "not to play with fire and burn its fingers". Unless the government agrees to give the employees their due share, he has warned, there would be "a mass agitation which would paralyse all governmental activity in the state". Already, the power strike has paralysed industrial activity and also held up threshing operations on farms. This in turn has slowed down the flow of wheat to the markets and hindered procurement.

Ironically, while Punjab and Haryana are starved of electricity, the vast hydel potential of Himachal Pradesh (about 8.5 million kW) remains unexploited.

TAMIL NADU

Dindigul Sweepstakes

M R

AFTER its resounding debacle in Banka, the Congress is playing for high stakes in Dindigul where it has little chance of winning. The Dindigul Lok Sabha by-election is the focal point of all the contradictions in Tamil Nadu politics. The alignments at the by-election reflect these contradictions: the DMK which is defending the seat is backed by the Muslim League, the ADMK has the backing of the CPI and CPI(M) and the splinter Tamil Nadu Muslim League, the Congress(O) has the Swatantra party's support and the Congress is going it virtually alone.

Even since the 1969 schism, the Congress in Tamil Nadu has been a sparse quantity because the bulk of the party went with Kamaraj. The Congress has had no occasion to measure its independent mass base in the state. All it had to go by was Indira Gandhi's image. But the high command was inclined to draw a fine line between Kamaraj and the rest of the Syndicate in the hope that eventual merger of the two Congress wings in the state was a possibility. At the 1971 elections to the Lok Sabha (when Tamil Nadu

The Public Works Minister, Ram Lal, told the Himachal Assembly last month that Rs 200 crores would be required to harness this potential. He invited the Punjab and Haryana authorities to step in and construct power projects in Himachal territory with mutual collaboration so that the perennial power famine in the region could be wiped out. The Himachal government has already approached the Planning Commission to include at least seven power projects based in the state for execution in the Fifth Plan. These projects, estimated to cost Rs 30 crores, would produce 260 mW of power.

PUNJAB'S PROPOSAL

Punjab, however, has other ideas on the subject. It has not only demanded a 1,000-mW nuclear power station in the state but has also proposed an investment of Rs 520 crores in the Fifth Plan to increase the installed capacity of thermal plants in the state by 1350 mW. But considering the long gestation period of all such plans, immediate relief can only be expected through nature's bounty.

also chose to hold its Assembly elections), the Congress found itself an inconsequential force and struck a humiliating bargain with the DMK because Indira Gandhi's stake lay in winning as many Lok Sabha seats as possible from the state even if it meant the effacement of her party at the Assembly level. In return for the DMK-led front's support in a few Lok Sabha constituencies, the Congress agreed to abdicate its role as a state party by keeping out of the contest for the Tamil Nadu Assembly. The DMK was shrewdly establishing a point here: it was for all purposes a one-state party with mutually exclusive roles — the ruling party in Tamil Nadu and an opposition party at the Centre. As a corollary to this, it wanted the Congress to limit itself to contesting a few Lok Sabha seats because it was the ruling party at the Centre and should not play even the role of an opposition party at the state level. For the high command it was not an unreasonable price because it did not want the Congress(O) to establish a beachhead in Tamil Nadu while its ministries in

Gujarat and Mysore were about to disintegrate.

In Tamil Nadu, it was a virtual polarisation between the DMK-led compact and the Congress(O) while the CPI(M) tried to provide a feeble third front. After the poll, the Congress leadership expected the gradual erosion of Kamaraj's strength in the wake of Indira Gandhi's massive victory and the political-organisational crisis that overcame the Congress(O) in the rest of the country. But this did not materialise and the Congress(O) still had the cadres and the organisation while the Congress was but a splinter owing its relevance to Indira Gandhi's position at the Centre and the DMK's sufferance in Tamil Nadu.

In mid-1972, the Congress thought of asserting its identity by promoting and participating in a patently kulak-oriented agitation against the DMK government. But the high command realised that it was too early to force a confrontation with the DMK because the Congress(O) was still the viable alternative to the DMK in the state and Indira Gandhi's following had no independent mass base yet. The Prime Minister disowned the agitation her lieutenants, C Subramaniam and Mohan Kumaramangalam, had promoted and even the CPI had begun backing. Secondly, the kulak demands were hardly the issue on which the Congress should have chosen to confront the DMK.

So things had to await the crisis in the DMK with the resignation of M G Ramachandran in October 1972 and the emergence of the ADMK. The Congress then banked on M G Ramachandran to split the DMK down the middle and threaten Karunanidhi's majority in the legislature. Alternatively, it expected Ramachandran and the CPI to engineer a 'mass upsurge' to create a law and order situation. Either of these would have had the same consequence — Central intervention followed by fresh polls. But the outcome of such a poll would still be uncertain. In any case, there has been no real split in the DMK, Karunanidhi's majority is almost intact, the defections have not been forthcoming and Ramachandran's campaign has petered out, while the Centre is prevaricating on the inquiry issue.

Institution of an inquiry into the corruption charges might have prompted Karunanidhi to have recommended dissolution of the legislature when he still commanded the majority. But even Ramachandran did not want fresh elections: all he wanted was a new DMK

ministry excluding its present incumbents.

Barely a month before the Congress decided on contesting the Dindigul seat, its political conference (held at Dindigul) called for a third front in the state, to fight both the Congress(O) and the DMK. There was no more hope of a rapprochement with Kamaraj and the Congress(O) and the ruling party at the Centre had decided to take the initiative for a new strategy. The obvious allies in the third front were to be the ADMK and the CPI. But as events proved, the front was a non-starter. The Congress thought that as the sponsor of the front, it would be its leader and qualify for the unconditional support of the two allies at the Dindigul by-election. Any compromise at Dindigul would deprive it of yet another chance to assert its identity and to attempt building an independent mass base.

There is yet another aspect to the Dindigul episode. Just as L N Misra drew the predictable lesson from Banka that failure of the Congress to forge an alliance with the CPI cost it the contest, Mohan Kumaramangalam is out to prove this point again when Indira Gandhi's candidate is trounced at Dindigul. If the Congress is soundly defeated, it would be convincing proof that the Indira wave has ebbed, at least in Tamil

INDUSTRIAL LABOUR

Apolitical Opportunism

Sumanta Banerjee

WHEN, many years ago, the Delhi Development Authority decided to push the growing manufacturing industry into the peripheral areas of the capital — such as Okhla, Najafgarh, or Shahdara — it could not have imagined that these would develop into aneurysms threatening the protected complacency of the posh bungalows of Ministers, Secretaries, and MPs which adorn Lutyen's New Delhi.

All the familiar features of urban poverty and degradation have ripened in these peripheral areas. Crowded slums, mazes of lanes and by-lanes housing pimps, prostitutes, smugglers and cut-throats, and an industrial proletariat sustained by a job-protective trade unionism, are all concentrated in these industrial suburbs.

While the capital's middle-classes and white-collar government employees

Nadu and Bihar, and the Congress cannot afford to alienate the CPI. There is apprehension among the CPI's friends in the Congress that Indira Gandhi is about to execute a manoeuvre to the right, ditching the CPI if necessary. This is the lesson they have drawn from her death sentence on the Socialist Forum last month.

The Congress does not expect to win at Dindigul and therefore should be content with establishing its identity as a party. Indira Gandhi's programme and policies would be submitted to the judgment of the Tamil Nadu electorate for the first time. If the DMK loses convincingly, the Congress can still revive the third front strategy and prepare for the next Assembly elections, whenever they take place. Another attempt can be made to work up a mass upsurge or to force Karunanidhi to resign and seek a fresh mandate. Altogether, an attempt might be made to seek a new political balance in the state if there is a reasonable chance of Congress gaining even marginally from it. An inquiry into the corruption charges is still the lone trump card Indira Gandhi has. If used before the Dindigul poll, she would be playing into the hands of the CPI-ADMK alliance because the campaign for it originally came from the latter. So it might be reserved for a future occasion, depending on the voting pattern Dindigul reveals.

have been lulled by promises of 'Garibi Hatao' and concessions by way of higher emoluments, those living in Okhla, Najafgarh, Moti Nagar and such other industrial estates, and forming the bulk of the city's unemployed, lumpen-proletariat, and working class, have remained unaffected by the political gimmickry. With the intensification of the economic crisis in the past year and more, these sections of Delhi's population have been the first to feel the pinch of the price rise and the shortages of essential commodities.

FIRST EXPLOSION

The first explosion came at Shahdara some months ago. Although the ruling party and its faithful ally, the CPI, claimed that the opposition parties had provoked the riots to "sabotage Indira Gandhi's progressive policies", the signs

of genuine grievance among the people were unmistakable.

More recently, there has been unrest in the Mayapuri-Najafgarh industrial area. On April 30, in response to a strike call given by trade union organisations in support of striking textile mill workers, workers of various factories came out into the streets. There were clashes with the police. Two workers received bullet injuries when the owners of a printing press fired upon a group of workers who had arrived to get the press closed. Workers also clashed with shopkeepers of the area, who refused to close down their shops in response to the call for a bandh.

Some features of the incidents need to be noted. For instance, there was an attempt by the mob to raid and loot the godowns of the Food Corporation of India. At another place, a sub-inspector of police was badly beaten up by the people. Overall, though the mob violence was unorganised and sporadic, the targets of attack indicated the main thrust of public discontent.

The incidents of April 30 throw some light on the realignment of political forces in Delhi. The call for the bandh was given by the CPI(M)-led Centre of Indian Trade Unions, by the Socialist Party-dominated Hind Mazdoor Sabha, and by the RSP trade union front known as the United Trade Union Congress. It was also supported by a section of the Indian National Trade Union Congress. The involvement of a section of the INTUC placed the ruling party in an embarrassing position. It cannot now dismiss the whole affair as the work of saboteurs.

The fact is that the division within the INTUC is linked with the recent differences within the Congress party itself. The section of the INTUC supporting the strike call and led by Kishori Lal and J S Dara (president of the Delhi unit of the INTUC) is said to have the blessings of Chandra Shekhar, member of the Congress Working Committee and known to be opposed to the CPI-Congress alliance. The other section of the INTUC is aligned to Subhadra Joshi, a firm ally of the CPI.

The CPI(M), for its part, has taken advantage of the differences within the INTUC to come to an understanding with the anti-CPI group of the INTUC. The pattern of alignments which thus began to emerge from the start of the textile workers' strike in Delhi, from April 11, still continues to develop.

About 28,000 workers of Delhi's five textile mills — belonging to the Birla and Shri Ram groups — had been agitating for quite some time for a

wage revision. Their demands were for a minimum wage of Rs 300, interim relief to all workers, 100 per cent permanency on the basis of job requirements, and houses or house rent allowance.

In 1970, the AITUC-affiliated Kapra Mazdoor Ekta Union had been strong among Delhi's textile workers. But AITUC's willingness to agree to the management's suggestion that the question of wage revision be referred to a tribunal, as well as its acceptance of an interim relief at a rate much lower than was demanded by the workers, alienated it from the workers.

It is obvious that the CPI and the AITUC were caught napping by CITU which made inroads during all the intervening years. INTUC, the other important trade union organisation in the field, was ridden with splits. It was in these circumstances that the more militant trade unionists among the workers decided to go on an indefinite strike to press their demands after they had failed to obtain any action from the government.

The isolation of the CPI was evident in the preparations for the strike. April 11 was fixed as the date for the strike jointly by the Kapra Mazdoor Lal Jhanda Union (CITU), Rashtriya Textile Mazdoor Sangh (INTUC), and Kapra Kamgar Sabha (HMS), after they had consulted with the Kapra Mazdoor Ekta Union (AITUC). The latter backed out, however, at the last moment, and combined instead with the Jan Sangh trade union organisation to give a separate strike call as from April 18. But the strike began as scheduled on April 11, indicating the support of the overwhelming majority of workers for the CITU, INTUC and HMS.

Nevertheless, the CPI-Jan Sangh syndicate has become active in the trade union field since then. Immediately after the April 30 incidents, both came out against the strike call and condemned violence. In Delhi, shopkeepers and petty traders form the base of the Jan Sangh. These sections naturally refused to support the striking textile workers or even to join the April 30 bandh. According to CPI(M) workers, who went to the Lahori Gate area to persuade the shopkeepers to close their shops, they were actually attacked by RSS volunteers. On May 1, shopkeepers observed a hartal, in protest against the previous day's violent incidents. A public meeting was held at Moti Nagar. Along with Jan Sangh leaders, the CPI trade union leader of Delhi, B D Joshi, addressed the gathering. The international workingmen's

day was thus chosen to sanctify the unholy alliance between communalists and communists.

The entire affair reeks of the apolitical opportunism of the big trade union leaders on one hand, and of the growing frustrations of the working people on the other. The pure economism on which the Indian working class movement is floundering, is nowhere more manifest than in the Delhi textile workers' strike, where elements as diverse as the CPI(M) and the ruling Congress are united. The difference in their basic approach to a programme for change has receded into the background in the fierce competition to obtain material benefits for the employed workers. That such benefits are bound to be reduced to insignificance after some time, in the vicious spiral of inflation and wage increase, is completely disregarded.

The CPI seems to have reached the final stage of opportunism, its claims to being communist notwithstanding. In its desire to insulate the CPI(M) in

Kerala and West Bengal, it has allied with the Congress in these stages — justifying the alliance on the ground that the Indira Congress had turned 'progressive'. In Delhi, on the other hand, to save its dwindling base among the working class, it has jumped on the anti-government bandwagon; but again, in its fanatical opposition to the CPI(M), it has thought it fit even to befriend the Jan Sangh. The party's theoreticians are yet to come out with a political rationalisation of this latest alignment.

Meanwhile, the textile workers' strike is still continuing. The Labour portfolio being in charge of a Minister of State, who has little power to summon the textile magnates or to enforce a settlement in favour of the workers, the only way people can give vent to their feelings is through violent outbursts. But the Shahdara, and later the April 30, incidents in Delhi are only the early rumblings of a much bigger storm.

May 5

The 'Cycle of Violence' in West Asia

Bhabani Sen Gupta

MUCH of the recent discussion in the Security Council on the Israeli commando raid on Beirut centred on the Israeli Arab 'cycle of violence'. Ironically, however, the resolution finally adopted by the Council was so toothless as to be totally wanting in arresting the cycle, not to speak of reversing the process. In order to please the Americans, Britain and France watered down their original resolution which would have warned Israel that further violent onslaughts on the Arab countries could invite UN sanctions against the Jewish state. The resolution, as finally passed, pleased Israel much more than the Arab countries who once again returned from the UN with the frustrating realisation that as long as the United States does not change its policy of blind support for Israel, the cycle of violence will not break nor will there be any firm steps forward towards a just and durable peace.

Even as the Security Council was debating the question of violence in West Asia, the Israeli Defence Minister, Moshe Dyan, threatened Lebanon with more serious raids. Israel, he declared, was embarking on a policy of pre-emptive rather than retaliatory attacks on Arab countries harbouring Palestinian partisans. What he said in effect was that as long as the Palestinian guerillas lived in and operated from

Lebanese or any other Arab territory, Israel would choose the time and place of attack, and these attacks would not necessarily be confined to real or imagined guerilla bases. Dayan's declaration was, for all practical purposes, a pre-emptive offensive against the Security Council itself.

If the logic of the Israeli case goes unchallenged, it will amount to a scandalous distortion of historical and contemporary facts as well as acceptance of a sinister doctrine of might as the sole determining element in relations among sovereign states. The *International Herald Tribune* has pointed out that what Israel is trying to do is to equate "an act of terror" with "an act of war". "Acts of terror are the work of individuals or groups, responsible to no one but themselves, acting outside all forms of international or municipal law. Acts of war are performed by States, who do have a responsibility, however ill-defined, to the world community. For them, a government, a nation, can be held accountable, not as individuals but collectively."

The Israeli argument might have some force if Israel had offered a solution to the 25-year-old Palestinian refugee problem which is its own creation. Even the United States recognises that Palestine is the heart of the Arab-Israeli problem, and that this problem

cannot be resolved without satisfying the legitimate rights and aspirations of the Palestinian people. Israel, on the other hand, has taken the extreme position that the Palestine problem does not exist, that there have never been a Palestinian people, and that these people cannot be a party to a settlement in West Asia. *Le Monde* reported on January 20, 1969 that "asked about the role of the Palestinians in any future peace settlement, Foreign Minister Abba Eban said, 'They have no role to play'." *Newsweek* of February 17 1969 carried the following: "Asked whether the Palestinians were not also entitled to their homeland, Prime Minister Levi Eshkol answered, 'What are the Palestinians?'" The Israeli Military Court at Ramallah ruled in April 1969: "The Palestinians are not a party to the conflict between Israel and the Arab States." Finally, Golda Meir was reported by *The Sunday Times* of June 15, 1969, as declaring, "There was no such thing as Palestinians. It was not as though there was a Palestinian people and we came and threw them out and took their country from them. They did not exist."

This stunning attempt to wipe out the facts of history, even history within man's living memory, places the Palestinians in a position of utter desperation. For 25 years they have looked on the United Nations for a settlement that would either allow them to return to their homeland or compensate them for the losses they have suffered. Neither the UN nor the Arab countries themselves have been able to satisfy their just and legitimate demands. Numerous reports of the UN refugee relief bodies operating in West Asia have warned the international community during the last 25 years that the Palestinians were getting increasingly desperate and that continued failure to resolve the problem would introduce a new, uncontrollable element in the Israeli-Arab conflict.

This new element is now a fact of the West Asian situation and it is recognised as such by all countries except Israel. However much one may deplore the acts of violence of the Palestinian partisans, one cannot just wish them away. Essentially, the Palestinians are struggling for legitimate political rights and their struggle is as much of a national liberation movement as that of the people of Angola and Mozambique against Portuguese colonialism. Add to this the fact that one million Arabs are being forced to live in the territories seized by Israel from its Arab neighbours

in the June 1967 war; this is the largest colonial empire wrested by any country in the world since World War II. Israel's refusal to withdraw from these territories and its resolve to integrate them with the Jewish state create another objective situation of violent resistance of a suppressed people to colonial subjugation. Israel, then, has been entirely responsible for creating the objective environment of Palestinian violence. Israel is now bent upon using this objective situation as a doctrine of permanent pre-emptive strikes against Arab countries where the Palestinians may be living in large numbers.

WHO STARTED THE CYCLE?

The incontrovertible historical fact is that the cycle of violence in Palestine was started by the Zionists long before the state of Israel was born and that the Israelis since 1948 have systematically and deliberately pursued violence against the Palestinians and against those who have officially seen justice in the demands of the Palestinians. Between the mid-thirties and 1948, three Israeli terrorist gangs, Hagannah, Irgun and Stern, indulged in methodical and highly organised violence against the non-Jewish population of Palestine, often with the connivance of the British authorities, but sometimes causing the latter considerable annoyance and embarrassment. The terrorist exploits of these gangs have been eulogised in numerous Israeli publications as well as in the memoirs of several Zionist leaders. Many of the leaders of these gangs now occupy strategic positions in the Israeli official hierarchy: what is even more significant is that the cult of violence has been exalted to the level of official ethos.

In 1948 violence was adopted as the only effective means to drive out the Arabs of Palestine from their homeland. The massacre of the Arab population of the Deir Yassin village on April 9, 1948 became, in the words of Arthur Koestler, "the psychologically decisive factor in this spectacular exodus" of the Arabs from Palestine. That the forced exodus was planned Zionist policy is confirmed by numerous documentations. John Glubb records in his autobiography a conversation in December 1947 between a British army officer and a Jewish official of the Mandate Government. The British officer asked "whether the new Jewish State would not have any internal troubles in view of the fact that the Arab inhabitants of the Jewish State would be equal in number to the Jews?" The Jewish official replied,

"Oh no! That will be fixed. A few calculated massacres will soon get rid of them."

Colin Legum showed conclusively in an article in the November 26, 1972 issue of *The Observer* that it was Zionist terrorists during the Mandate period who provided the model and precedent which Black September and the PFLP are now following, and that it is "the State terror practised by the Government of Israel which drives many Palestinians to resort to what they regard as counter-violence."

In a rejoinder to Legum's article, David Watkins, a member of Parliament, pointed out that between October 1953 and September 1972, Israel had indulged in 12 major acts of violence against the Palestinians and/or populations of neighbouring Arab countries, and that each one of these actions was performed by the regular armed forces of Israel. In these 12 major acts of organised terror, about 1,000 Arabs were killed and thousands wounded; in a series of attacks in Gaza and the West Bank, between June and October 1967, as many as 17,000 Arab houses were demolished. Since the June 1967 war, Lebanon alone has been the victim of at least 30 acts of Israeli aggression, all in the name of striking at the Palestinians. Ten of these took place in the past 15 months, in spite of several condemnations by the Security Council. And now Israel has threatened Lebanon with more serious pre-emptive attacks if the Lebanese Government cannot get rid of the 300,000 Palestinians living in that country since 1948.

Israeli violence against the Arabs has, then, three serious and systematic dimensions. First, the violence inherent in extending the frontiers of Israel by war and conquest; it involves the enslavement and occasional extermination of hundreds of thousands of Arabs. Secondly, the dogged attempt to make the world community forget the existence of the deprived one million Palestinians. Thirdly, the self-assumed "right" of the Israeli Government to strike at the Arab countries in order to punish the Palestinians. It is the combined impact of this three-dimensional cult and practice of violence that is pushing the West Asian problem towards another explosion. Neither the UN nor the great powers will be able to resolve the crisis unless they grapple with this crucial factor. The cycle of violence in West Asia is of Israeli make. It is the violence of conquest, of empire-building, of annexation and colonisation in an age of liberation of all oppressed peoples.

Unfulfilled Task

Leela Visaria

Indian Census in Perspective by S C Srivastava, Census Centenary Monograph No 1, Office of the Registrar General, New Delhi, 1972; pp vi+416; Rs 8.75.

THIS book attempts to provide a "historical setting" to census taking in India and a few other countries. This is done essentially through a useful chart (in fact, a list) of the items included in the Indian census schedules since the beginning of census activity (1867-1872) until 1971 (pp 14-21), as well as a comparative statement of the concepts (or instructions and explanations) used for each item (pp 145-202). More than half the book (pp 203-414) is devoted to a comparative listing of the questions and definitions (or explanations) included by some selected countries of the world in their latest censuses of housing and population together with the United Nations recommendations relating to each item. The countries for which the listing is provided are Australia, Brunei, Canada, Sri Lanka, England and Wales, Hong Kong, India, Indonesia, Japan, Korea, Malaya, Pakistan, Philippines, South Vietnam, Thailand, Union of Soviet Socialist Republics, United Republic of Tanzania and United States of America. (The USSR apparently does not have a census of housing and therefore the housing census items relate to 17 countries.) Also listed in the volume are the titles of tables compiled in successive Indian Censuses, arranged according to the topics with which they deal (pp 113-127). The book has also reproduced all the census schedules that were canvassed and used in the 1961 and 1971 censuses of India (pp 93-112).

There is no doubt that these compilations, as well as the inclusion of the Census Act of 1948 (pp 23-30), in a single book will be useful to students as well as others who wish to get initiated in census analysis. The text, which runs through about 90 pages, includes a discussion of the development of census activity in various countries of the world as well as in India, a very brief discussion of the objectives, essential features and usefulness of the census and a rather general discussion of the various census operations such as preparatory work, enumeration, data processing, evaluation and analysis of results, their dissemination and record-

ing of the census experiences by those who conduct it. Unfortunately, the attempt to provide a historical or an analytical review of these operations as conducted in India is restricted to only the last two censuses of 1961 and 1971. Further, the discussion of the 1971 census is naturally limited by the fact that the book, released in 1972, must have gone to the press fairly soon after, if not before, the 1971 census enumeration was conducted. The chapter devoted to the evaluation of the census data barely does justice to its important theme and certainly the author has made no attempt whatsoever to evaluate available census data. The chapter merely outlines the types of errors that are likely to be found in census data, such as errors of coverage (over-or under-enumeration), and errors in reporting and recording of information and briefly discusses, at a very general level, some standard methods (such as post-enumeration sample or complete checks of certain areas, consistency checks, etc) used for the evaluation of census data. The author makes no attempt to indicate the efforts of other scholars to evaluate census data and their main findings.

The organisation of the book leaves a lot to be desired and one feels rather disappointed at the sketchy discussion of many important issues. A few inaccuracies have also crept in. On page 122, a reference is made to a migration table, compiled in the 1941 census. The title of the table is given as "age, last birthday". To the best of this reviewer's knowledge, none of the 1941 census tables, compiled for the major provinces, included any tabulation of data relating to birth place by age. The readers may like to know that the published 1941 census data for Assam, the then Madras Presidency, Punjab, the United Provinces and Baroda and Coorg did not at all include any table on migration (i.e. place of enumeration cross-classified with the place of birth). However, for the then states of Ajmer-Merwara, Cochin, Gwalior, Hyderabad, Mysore and Travancore, migration data are available for the entire population; whereas for the Provinces of Bihar,

Bombay, Central Provinces and Berar, Orissa and West Bengal, some migration tables — detailed or broad — were compiled and published on the basis of a two per cent sample of population. Similarly, on page 127, it is stated that information on fertility was collected only in the censuses of 1971 and 1931 (the latter on the basis of a "special enquiry"), while earlier on page 19 it is noted that information on fertility was collected in the 1951 census as an optional item in the then states of Bihar, Madhya Pradesh and Travancore-Cochin. (Unfortunately, however, the data for Bihar were not considered worthy of publication.) Even here the author is far from consistent insofar as for some states he lists the precise questions (e.g. for Travancore-Cochin), whereas for others (e.g. Bihar) only the topics covered under the optional questions have been given. Further, even the 1941 census had included a question on the number of children born (and surviving) to married women and this is noted on page 16 as well as on page 156. Information on this subject was even tabulated on the basis of a 2 per cent sample for some of the provinces, although there is reason for some reservations about the procedures of sampling and the validity of the relevant data. Such inconsistencies may mislead and confuse novices and should be corrected in the next edition of the book.

The book is useful essentially as a compilation of the procedures of housing and population censuses conducted in India and other selected countries of the world. Perhaps, it would have been more useful if for the pre-1951 censuses, the author had attempted a separate inventory of the so-called "imperial" and "provincial" tables compiled in different Provinces and native states (or agencies). However, the task of placing the Indian census in perspective remains unfulfilled.

Books Received

Mushir-ul-Haq: *Islam in Secular India*; Indian Institute of Advanced Study, Simla, 1972; pp 110, Rs 21.

McNamara, Robert S: *One Hundred Countries, Two Billion People — The Dimensions of Development*; Praeger Publishers, New York, 1973; pp 140.

Narain, Iqbal: *Twilight or Dawn — Political Change in India (1967-71)*; Shiva Lal Agarwala, Agra; pp ii + 244, Rs 20.

Production Relations: Achilles' Heel of Indian Planning

Pradhan H Prasad

Planning in India has been viewed mainly in terms of investment planning. This emphasis on investment planning can be traced to the influence of the long-period theories of development which entirely overlook the significance of much more essential factors than the level of investment.

Increase in the supply of the means of production and savings is obviously an important factor in explaining the course of economic history through centuries, but its significance is completely overshadowed by the importance of changing production relations. It is the failure to assess the importance of the production relations aspect of economic dynamics that is, by and large, responsible for the Indian plans achieving so little. This article analyses this aspect of Indian economic development in the light of facts collected in three districts of Bihar.

The analysis indicates that, unless the existing semi-feudal institutional set-up is replaced by a higher stage of production relations, any attempt at investment planning in areas and sectors where a semi-feudal institutional set-up exists—the agricultural sector, for instance—will be an exercise in futility. It is only when institutional changes have taken place that the decks will be cleared for investment planning.

PLANNING in India has been viewed mainly in terms of investment planning and the yardstick to measure the success or failure of planning has been essentially the rate of growth of per capita output at constant prices. Investment has remained the kingpin of the preferred models for development in our planning. The first Five-Year Plan embodied a projection of aggregate growth generated by capital accumulation financed essentially by domestic savings. The model was of a Harrod-Domar type. In the formulation of the Second Plan, the Fel'dman-Mahalanobis model was used to evolve investment allocation criteria. The preferred models for the Third and the Fourth Plans were almost similar. The basic strategy for elimination of poverty has mainly been linked with two factors: a rising rate of growth of domestic product at constant prices and a declining rate of growth of population.

The basic approach remains almost the same in the Approach to the Fifth Plan (1974-79), except that there is an attempt to carve a frame of distributive justice essentially in terms of reduction in inequality of income and consumption. Even when it is clear that, for the little over two decades of planning, the rate of growth has been inadequate and that the major portion of the growth is explained in terms of technical progress in agriculture; the emphasis continues to be on

investment planning. It is, therefore, clear that the principal urge towards planning in our country has been the desire to achieve a high level of investment. This is sought to be done by formulating detailed expenditure plans for the public sector of the economy, mainly in terms of diversification of economic activity in the industrial sector, massive investment in agricultural infrastructure and in social overhead capital. It is not surprising, then, that the size of successive plans has shown a rising trend. The public sector outlay in the Second Plan was about 135 per cent higher than that in the First. The size of the Third Plan was 86 per cent higher than that of the Second and the size of the Fourth was also about 86 per cent higher than that of the Third. The envisaged size of the Fifth Plan is about 112 per cent higher than that of the Fourth.

The emphasis on investment planning can be traced to the influence of the long-period theories of development which were originally formulated by the Classical economists and have invariably associated development with accumulation. Though there is nothing false in these theories, they entirely overlook much more essential things. It is no secret that attempts to verify these theories statistically have left an important proportion of historical growth unexplained. Increase in the supply of means of production and savings is obviously an important factor in explaining the course of economic history through centuries, but it

is completely overshadowed by the importance of changing "production relations". It is the failure to assess the importance of the "production relations" aspect of economic dynamics that is, by and large, responsible for so little achievement in development. A frontal attack on technological progress and capital accumulation, as the two most important elements in development, would have been the most obvious and direct approach provided the economy were marked by a higher stage of "production relations" than something similar to feudalism.

What has been lost sight of in the process of constructing planning models in this country is that the different regions of the country find themselves at different historical stages of "production relations". Our approach to planning, as we have seen, assumes implicitly that regions do not differ so far as "production relations" are concerned. It is this implicit assumption which is responsible for so little emphasis on institutional change. That is why our planning models overlook the important policy challenges in vast areas of the country resulting in persistent regional imbalances. We propose to analyse this aspect of development in the light of facts collected by us in three districts of Bihar. It should be noted that the facts which are being presented here were not collected with a view to ascertaining the "production relations" in the region. Therefore, these facts, when viewed in the context of the "production re-

lations" in an area, will be found to contain some gaps. Even then meaningful inferences can be drawn from them.

II

We conducted two studies based on the survey of the three districts in Bihar. The survey of the districts of Purnea and Saharsa was conducted for an evaluative study related to the economic benefits in the Kosi Command Area. We surveyed 1,597 households from 11 villages of the area. The reference period for the survey was January-December 1970. Another survey of 760 households from 12 villages of Monghyr district was conducted with a view to assessing the structure of rural unemployment in the area. The survey was conducted in the period January-June 1972. The data collected in the course of the surveys throw considerable light on the existing "production relations" in the area.

The districts of Purnea and Saharsa lie in the north-east corner of Bihar forming an important tract of the Gangetic plain north of the Ganges. The combined area of the two districts is about 10.71 per cent of Bihar's total area and it holds about 11.16 per cent of Bihar's population. The area accounts for about 12 per cent of Bihar's net Area Sown. The dependence on agriculture is pronounced. According to the 1971 census, the percentage of workers in the agricultural sector to total workers in the area is 88. The corresponding percentages for Bihar and India, respectively, are 80 and 69.

The total area of Monghyr district happens to be about 5.65 per cent of Bihar's area and it accounts for about 6.91 per cent of the population of Bihar. The percentage of workers in the agricultural sector to total workers in the area happens to be about 82.55. It accounts for 6.56 per cent of Bihar's Net Area Sown. It should be noted that the varied geographical conditions in the state of Bihar are represented by the district. The Ganges flows through the district from west to east dividing it into two parts of unequal sizes and of different characteristics. The northern and the smaller part resembles North Bihar. Central Monghyr represents the South Bihar Plain and the southern part represents the rocky plateau region of South Bihar.

The districts of Purnea and Saharsa are served by the Kosi Eastern Canal and Rajpur canal system which was opened for irrigation in the mid-sixties. The Project Report visualised that, on full development, the canal system would irrigate annually about 18.03 lakh acres of land in the two districts. The maximum achievement in terms of the irrigated area till 1969-70 was about 3.53 lakh acres. The gap between the potential created and actual utilisation is very serious in the context of under-utilisation of scarce means of production in the area. There are some technical and topographical reasons for under-utilisation of irrigation potential in the area, as discussed in the Kosi Technical Committee Report, 1971. To some extent inefficiency and lapses on the part of the irrigation Department, Government of Bihar, are also responsible for the under-utilisation. But this was not all. We found that the Kosi Canal system, for the present, can irrigate as much in the rabi season as in Kharif season. In such a situation we assumed that if irrigation water is made available to a certain area in Kharif, it can also be made available to the same area in rabi (with all the technical and topographical flaws and inefficiency and lapses on the part of the Irrigation Department). Hence, we estimated season-wise irrigation-size of the households. It is evident from Table 1 that utilisation of available irrigation facilities declines with increase in the size of holdings (assuming that the larger Kharif irrigation size of a household, the bigger is its land ownership holding size).

To evaluate the character of demand for labour consequent upon availability of irrigation in the Kosi Command Area, we analysed the data of those cultivating households who do not hire labour for cultivation (Table 2). This showed that in such households the increase in demand for labour consequent upon availability of irrigation varied between 66 and 80 per cent. The increase in demand for labour consequent upon availability of irrigation was not found to be statistically significant in case of other households.

The practice of using attached labourers happens to be fairly high in respect of the big land-owning classes in the Kosi Command Area as revealed by the Survey of 973 revenue plots (Table 3). Attached labourers were found to have no subsidiary occupation in any of the three districts.

There were reports of widespread

TABLE 1

Kharif Irrigation Size Class (Acres)	Percentage of Rabi Irrigation to Kharif Irrigation
> 0 to 2	102.43
> 2 to 5	66.38
> 5 to 10	57.11
> 10 to 20	54.29
> 20	26.50
All sizes	65.88

TABLE 2: EMPLOYMENT OF LABOUR IN CULTIVATING HOUSEHOLDS WHO DO NOT HIRE LABOUR FOR CULTIVATION

Percentage of Irrigated Land	Mandays Per Acre Per Year
0	30
1 — 25	43
26 — 50	45
51 — 75	54
76 — 100	50

TABLE 3: PERCENTAGE OF PLOTS USING ATTACHED LABOURERS

	Owner Cultivator			
	Upto 5 Acres	5 — 10 Acres	10 — 20 Acres	Above 20 Acres
Before irrigation	nil	nil	48	70
At present	nil	nil	49	73

indebtedness in the area. We could not, however, accurately estimate the extent of indebtedness in the Kosi Command Area because of reluctance on the part of a certain section to part with such information, illiteracy and our own inexperience in formulating questions in this context. But the data gathered from persons who volunteered information show that the highest rate of interest stipulated was 80 per cent per year and about 69 per cent of the indebted households agreed to pay rates of interest higher than 30 per cent per year. We modified the questionnaire for our survey of Monghyr district in view of our experience in collecting information concerning indebtedness and loans. We found that in Monghyr district households normally taking consumption loan were about 57.09 per cent of the total households. The situation appeared to be worse in the case of labour households where about 72.16 per cent were found to be normally taking con-

sumption loans. A detailed survey of a sample of 96 labour households consisting of 469 persons revealed that 25 households during the period July 1 to December 31, 1971 and 16 households during the period January 1 to April 30, 1972 could not mention the rate of interest at which they had borrowed.

The practice of share-cropping is widely followed in the area. About 24 per cent of the total households in the Kosi Command Area and about 17 per cent of the total households in Monghyr district were found to be leasing-in land. These may be underestimates as there was a general reluctance on the part of the share-croppers to part with such information. According to the 1961 Census, the percentage of households leasing-in land to total cultivating households was 54.8, 56.6 and 41.7, respectively, for Purnea, Saharsa and Monghyr. Except for a very minor percentage of recorded share-croppers others are no different from tenants-at-will of the feudal system, sharing half of the gross produce with the landowners. The recorded share-croppers, however, share at the rate of 75:25 and have certain legal rights against eviction. There is no practice of cost sharing, except that the landowner shares half of the irrigation charges in some areas.

Field experience has shown us that, at least in Bihar, averaging of agricultural wages is not justified. In almost all areas there exists a traditional rate payments in excess of which occur in very exceptional cases. More often, the employers take advantage of the weak economic position of the labourers to pay them less than the traditional rate. In the Kosi Command Area the wage rate, inclusive of the payment in kind, for agricultural labourer for most of the year varied (cross-section variations) between Rs 1.50 and Rs 2.00 per day and during the paddy harvesting period from Rs. 2.00 to Rs 3.00 per day. Rs 3.00 per day was recorded only in villages near Purnea town. The wage for jute retting varied from Rs 1.75 to Rs 2.50 per day. The lowest wage (i.e., Rs 1.75 per day) was recorded in Kasba Block in the month of March 1971. In Monghyr district, the institutionally determined wage rate for agricultural operations was found to be between Rs 1.50 and Rs 2.00. None were found to have received more than this, while some were found to have received less than the lower limit.

Some more light is thrown on general characteristics by the data available from the detailed survey of the sample labour households (96 households) in Monghyr district. The average per household income of 96 per cent of the households was found to be below Rs 1,000 per annum. The per capita monthly income of the sample was found to be Rs 20.2. This, when viewed against the fact that a per capita consumption expenditure of Rs 30 per month is deemed to be minimum consumption expenditure at 1972 prices in rural areas, shows the extent of abject poverty prevailing in the area. It should be noted that only 3 persons during the period July 1 to December 31, 1971 and 2 persons during the period January 1 to April 30, 1971 declared themselves not at work for want of work, though 22 persons considered themselves physically and in other ways unfit for work in July-December 1971 and were found to be working in January-June 1972.

III

The Analysis of the aforesaid facts and data suggests a model. We find share-cropping a prominent feature of the model. In the Kosi Command Area we found small owner cultivators using almost 100 per cent rabi irrigation (which is needed mainly for cultivation of wheat). These cultivators normally grow paddy or jute in Kharif and wheat in the rabi season. The low level of utilisation of rabi irrigation by big landowners suggests that the share-croppers do not grow wheat as a second crop, possibly because being poor they lack resources for wheat cultivation and because the existing sharing practice hardly offers any incentive to the share-croppers to put in extra labour. It is needless to emphasise that if crop-sharing for the second crop only is tilted in favour of share-croppers, there is likelihood of more intensive use of land and labour, bringing additional benefit to both the landowners and the share-croppers. At least the practice of wheat cultivation by using available irrigation facilities by small owner-cultivators indicates this. But it is not encouraged by the landowners. This indicates that those landowners who extensively leaseout lands are interested more in preventing the strengthening of the economic condition of the share-croppers than in maximising their rate of return from land. Similar was the case with respect to improved seeds

and other innovations.

The other prominent feature of the model is usury. Widespread poverty compels the rural poor, consisting mainly of share-croppers and agricultural labourers, to take consumption loans at exorbitant rates of interest whereby indebtedness becomes a permanent feature for these households and they are compelled to accept a semi-slave condition of living. A little mathematical exercise will show that a labour household of two workers (one male and one female) and three dependents will fail to get an income of Rs 30.00 per capita per month even if they get employment for 300 days in a year at the prevailing wage rate in the area. It should be noted that the data showed only very few persons declaring themselves not at work for want of work and still the poverty seemed to be widespread. We found from field experience that in most cases the creditors do not expect ever to get the stipulated interest and principal from such rural poor. These creditors are mostly of the big landowning class. Instead of using their savings for investment in the agricultural sector, they use them for giving consumption loans so as to increase their hold on the rural masses. Usury is thus practised mainly to perpetuate the indissoluble bond between the direct producer and his overlord — the rural rich. As no system can afford to give less than a subsistence living to direct producers, the so-called financial assets of the creditors continue to increase year after year. But as the system guarantees only a subsistence living to the direct producer and no more, while the rest is pocketed by his overlord, the overlord does not bother about increasing the level of his book-entry financial assets (which he knows he can never get). It is futile to look for any debtor-creditor equilibrium in such a situation in the strict neoclassical sense of the term.

The above mentioned facts and data regarding low utilisation of available resources (such as irrigation facilities, etc) and low demand for labour by big land-owning class are also essentially directed towards preventing the strengthening of the economic condition of the direct producer rather than maximisation of their rate of profit or rate of return. For example, in the context of the share-cropping system the landowners know that if the share-croppers are encouraged to take to intensive cultivation or to adopt new

agricultural practices, etc, the rates of return from land, for both the parties, will be higher than before. But this would also strengthen the economic condition of the rural poor thereby ultimately freeing them from semi-feudal bondage. This would subsequently result in a demand for higher wages and better conditions for work in the agricultural sector and also loss of usury income and other indirect economic losses to the rural rich.¹

It was found that about 10 males and 12 females who declared themselves not in the labour force in July-December 1971 were working in January-June 1972. In the case of females this can be explained in terms of pregnancy or their having small babies requiring constant care. Short period illness may be another explanation for both, males and females. But there is another explanation based on field experience and that relates to the customary nature of work (for example, those attached to such lands which are cultivated only in the rabi season known as 'chowmas' land) which is the characteristic feature of semi-feudal production relations.

The essential feature of the model is thus reflected in the big land-owning classes (who are the main constituent of the rural rich) approaching the whole process of production and distribution with a view to strengthening their control over land and their hold on the rural masses, resulting in a set-up (which we may call semi-feudal) where an indissoluble bond between direct producer and his overlord is maintained by resort to "production relations" essentially characterised by the two modes of appropriation, namely, the share-cropping and usury. This results in semi-servile condition of living and a low level of consumption (may be lower than that which gives minimum cost per work unit)² and hence mass poverty and low productivity of land and labour (which is understood mainly in terms of disguised unemployment), under-utilisation of resources and almost negligible net investment in the agricultural sector. The system is so well-entrenched and so hopeless from the point of view of the direct producers as a class that a significant number of the exploited exhibit complete indifference even in knowing either the extent of their indebtedness or the terms and conditions of loans. This enables the rural rich to operate the levers of power with coercive ruthlessness (of which there are any number of illustra-

tions in this part of the country). It is not surprising, then, that the vast majority of direct producers (the bulk of the rural poor) do not even come forward to avail of the legal rights that they possess. For example, not many share-croppers come forward to record their share-cropping rights which would have given them some economic benefits and additional legal security against eviction. It appears that the semi-feudal system, for the time being, is not only in stable equilibrium endogenously but also remains inimical to economic development in this part of the country.

The above analysis thus indicates that unless the existing semi-feudal institutional set-up is replaced by a higher stage of "production relations", any attempt at "investment planning" (in areas and sectors where such a semi-feudal institutional set-up exists) will be an exercise in futility. Hence, in such areas and sectors, the pride of place in our approach to planning has to be given to institutional changes by enforcing a low ceiling on land holdings and debt redemption measures associated with such economic activities as would generate widespread supplementary income in rural areas.³ Unless this aspect of development is seriously taken note of, the chances of rural transformation in the vast sector of the country appear to be dim. It is only when such institutional changes have

taken place that the deck will be cleared for "investment planning". It is not suggested here, that "investment planning" has no place in the planning. It has its relevance in areas and sectors which are not feudal or semi-feudal. What is suggested, here, is that top priority must be accorded to institutional changes in view of the fact that agriculture is the primary occupation of the vast majority of the masses and that a vast sector of our economy finds itself in the grip of a semi-feudal institutional set-up. Even in areas which depict semi-feudal characteristics, one can attempt at such investments as have a long gestation lag (such as investment in irrigation schemes) along with policies to bring about a change in the institutional set-up so that the transformed set-up gets ready to gain by such investment after the gestation lag is over.

Notes

- 1 See also Bhaduri, A, "A Study in Agricultural Backwardness under Semi-Feudalism", *Economic Journal*, March 1973.
- 2 Prasad Pradhan H, (1970), "Growth with Full Employment", pp 24-25.
- 3 For outline of a policy package see Prasad, Pradhan H, "Some Policy Priorities", *Economic and Political Weekly*, July 1971 and "Employment and Income in Rural India", *Economic and Political Weekly*, April 29, 1972.

Punjab Breweries

PUNJAB BREWERIES, promoted by the Punjab State Industrial Development Corporation, is setting up a modern brewery near Ludhiana for annual production of 75 lakh bottles of pale beer of the Pilsner type. The company has made collaboration arrangements with Skoda (India), an associate of Skoda of Czechoslovakia, through their collaborator Vulcan Laval. A financial and management collaboration has been entered into with East India Hotels, which has a chain of hotels in the country. Total project cost, estimated at Rs 205 lakhs, is proposed to be financed by share capital (Rs 105 lakhs) and term loans of (Rs 100 lakhs). PSIDC will take up equity shares worth Rs 41 lakhs and EIH of the value of Rs 19 lakhs. The public is being offered,

through a Prospectus, equity shares of Rs 20 lakhs and 9.5 per cent cumulative redeemable preference shares of Rs 25 lakhs. The entire public issue is fully underwritten. The subscription list will open on May 14 and close on May 25, or earlier, but not earlier than May 16. The plant is expected to commence commercial production in August. According to A S Chatha, managing director of PSIDC, the company should be in a position to pay a maiden dividend of 10 per cent out of the earnings of the second year of production and step up to 15 per cent and 20 per cent, respectively, in the subsequent two years. Consumption of beer in Punjab is already very high, and is expected to increase by about 20 per cent per annum in the next few years.

Centre-State Financial Relations

I—Scope of the Finance Commission

The Sixth Finance Commission has nearly completed its round of the state capitals. The state governments have made known their respective positions on the matters within the Commission's purview.

Economic and Political Weekly considers it important that while these matters are sorted out within the Commission over the next six months, they should be continuously examined and re-examined in public. To this end, it is proposed to discuss in these columns, between now and October-end, the various aspects of the issues involved.

WHETHER or not it is desirable that the state governments should have adequate resources of their own to meet the responsibilities which the Constitution places on the states, is a question which need not concern us here. As the Fifth Finance Commission put it, "the imbalance between the functional responsibilities assigned to the states and the financial resources allocated to them, which is a general feature of many full-fledged federations, also exists in India".¹ But the Indian Constitution can be said to take due note of the imbalance involved in its scheme of things and to provide for the necessary transfer of resources from the Union to the states. One can thus start straight-away with the premise that, within the framework of the Indian Constitution, transfer of funds from the Union to the states must take place. This is necessary to rectify the imbalance referred to above.

The broad scheme of financial transfers from the Union to the states was summed up by the Fifth Finance Commission as follows:

"A number of taxes, though levied by the Government of India are collected and retained by the states (Article 268); the net proceeds of seven items of taxation, though levied and collected by the Government of India, are entirely assigned to the states and distributed among them in accordance with the principles of distribution formulated by Parliament (Article 269). In addition, a percentage of the net proceeds of income-tax is assigned to the states (Article 270). The proceeds thus assigned to the states do not form part of the Consolidated Fund of India. Union excise duties can be shared with the states if Parliament so decides (Article 272) and almost from the commencement of the Constitution excise duties have been so shared. In 1950-51 the receipts from income-tax and excise duties proved nearly one-half of the Union tax revenues so that the divisible pool was by no means inconsiderable. Further, Article 275 recognises the necessity for grants-in-aid of revenues of states which may be in need of assistance. Different sums can be fixed for different states, so that the weaker states can be given specific assistance to meet the necessary expenditure in the proper dis-

charge of their duties to their people. Article 282 provides for grants by the Union to the states for any public purpose."²

Two things ought immediately to be noted here. First, where the Articles of the Constitution dealing with the transfer to the states of tax revenues levied and collected and by the Union Government do not require 100 per cent devolution (as under Article 269), the percentage of Union tax revenues (under Articles 270 and 272) to be transferred to the states is not laid down. Secondly, none of the above mentioned Articles lays down the principles on the basis of which distribution has to be made among the states. Both of these are matters which are left to be decided periodically on the advice of a quasi-judicial body called the Finance Commission, to be appointed every five years, or earlier, if considered necessary (Article 280).

As for transfers in the form of grants, again, neither for grants-in-aid of revenues to states "in need of assistance" (Article 275) nor for public purpose grants (Article 282) is the amount laid down by the Constitution. While Article 275 grants-in-aid are to be fixed on the advice of the Finance Commission, Article 282 grants are left entirely to the discretion of the Union Government. Thus the principles of financial transfers from the Union to the states are, it should be clear, fully embedded in the Indian Constitution. In fact, not only does the Constitution recognise the need for such transfers but it also calls for a regular periodic review of these transfers. In the words of the Fifth Finance Commission, "a distinguishing feature of the Union-state financial relationship in India is the explicit recognition in the Constitution of the varying nature of this need [presumably, of the states for funds to meet their responsibilities] and the provision of a periodical review of the situation by a quasi-judicial body."³

The very first question that one must raise, in a series of this type, is whether this quasi-judicial body, called the Finance Commission, charged as it is with the task of (a) periodically review-

ing the Union-state financial relations and (b) recommending the scheme of financial transfers for the following quinquennium, enjoys the necessary freedom to perform this task.

As indicated above, the Articles of Constitution dealing with the devolution of tax revenues in part do not either lay down the amounts to be transferred from the Union to the states or the principles on the basis of which these amounts are to be distributed among the states. But still there can be, and is, argument whether or not the language of the Constitution, in general and of the relevant Articles, in particular, provides any indication of, or insight into, the possible guidelines for both the determination of the quantum of transfers of tax revenues as well as the manner of its distribution among the states.

Let us first see what the plain language of the Constitution reads like on the subject of financial transfers from the Union to the states. Under Article 268, stamp and excise duties on medicinal and toilet preparations "shall be levied by the Government of India but shall be collected (a) in the case where such duties are leviable within any Union Territory, by the Government of India, and (b) in other cases, by the states within which such duties are respectively leviable." Thus as far as Article 268 duties are concerned, it is clear that their proceeds can be collected directly by the states within their territorial jurisdictions and retained by them.

Article 269 lists seven types of duties and taxes. These include: "estate duty in respect of property other than agricultural land", "taxes on railway fares and freights", and "taxes on the sale or purchase of goods other than newspapers, where such sale or purchase takes place in the course of inter-state trade or commerce". These taxes and duties are "levied and collected by the Government of India but shall be assigned to the states". The net proceeds from any such duty or tax, "except insofar as these proceeds represent proceeds attributable to the Union

Territories, shall not form part of the Consolidated Fund of India but shall be assigned to the states within which that duty or tax is leviable in that year and shall be distributed among those states in accordance with such principles of distribution as may be formulated by Parliament by law" (emphasis added).

Thus, out of the net proceeds of Article 269 taxes, one should first take out the portion that "represents proceeds attributable to Union Territories". The balance has "to be assigned to the states within which that duty or tax is leviable in that year" and then "distributed among those states in accordance with such principles of distribution as may be formulated by Parliament by law". What, one might ask, is the significance of this distinction drawn in the Constitution between "assigning" the distributable net proceeds to "the states within which that duty or tax is leviable" and "distribution" of these net proceeds among those states? Is this distinction meant to place some constraints on the manner in which the net proceeds of the concerned tax or duty are to be distributed? Or, is this distinction drawn for precisely the opposite reason, namely, to give complete freedom with respect to the principles to be followed in the distribution of these net proceeds? These are important questions because, as we shall note immediately hereafter, they arise with respect to both income-tax as well as excise duties — devolutions wherefrom are the major sources of financial transfers from the Union to the states. But, unfortunately, they have not been faced so far.

As for tax on income other than agricultural income, it too "shall be levied and collected by the Government of India" under Article 270, but only "such percentage, as may be prescribed, of the net proceeds" excluding (i) "proceeds attributable to Union Territories" and (ii) proceeds attributable to Union Territories, "shall not form part of the Consolidated Fund of India but shall be assigned to the states within which that tax is leviable in that year, and shall be distributed among the states in such manner and form as may be prescribed".

The differences and similarities between Article 269 and Article 270 need to be noted. First, while the entire net proceeds of Article 269 taxes excluding those attributable to Union Territories are to be assigned to the pool for distribution among the states, only the prescribed percentage of the net proceeds is to be assigned to the pool for distribution. Secondly, before arriving at the net proceeds of income-tax to be assigned to the states' pool, a further deduction has to be made with

respect to "the proceeds attributable to Union emoluments". The similarity between the two Articles lies principally in the fact that both Articles require the net proceeds or a percentage thereof — whichever is distributable among the states — first to be assigned to the pool and then to be distributed in accordance with the principles of distribution which may be prescribed or laid down by Parliament by law.

Under Article 272, Union excise duties are to be levied and collected by the Government of India "but, if Parliament by law so provides, these shall be paid out of the Consolidated Fund of India to the states to which the law imposing the duty extends sums equivalent to the whole, or any part of the net proceeds, of that duty, and those sums shall be distributed among the states in accordance with such principles of distribution as may be formulated by such law".

Thus, while under Article 269 the entire net proceeds of the taxes and duties, though levied by the Union, are assignable to and distributable among the states, and while under Article 270 only the prescribed percentage of the net proceeds of income-tax is assignable to and distributable among the states, the net proceeds under Article 272 dealing with excise duties could all be retained by the Union unless Parliament by law so provides. But once Parliament does so provide by law, the procedure to be followed once again has to be that the prescribed proportion of the net proceeds shall be paid out to the states' pool.

Neither under Article 270 pertaining to income-tax nor under Article 272 pertaining to excise duties does the Constitution lay down how the proportion of the net proceeds to be assigned to the states' pool should be determined. Again, neither under Article 270 nor under Article 272 has the Constitution laid down what principles should govern the distribution out of the states' pool. Constitution makes it clear, in unmistakable terms, that the "principles" or "the manner and form" of distribution will have to be as laid down by law or as prescribed.

In the light of the above, it would appear that, insofar as transfers of tax revenues are concerned, the Finance Commission is placed by the Constitution under no constraint whatsoever in recommending whatever proportions of income-tax and excise duty revenues of the Union, it considers right and desirable to be transferred to the states. Nor does the Constitution seem to place any constraints on the principles on the basis of which the Commission may choose to recommend the distribution of the amounts, thus transferred from the Union to the pool, among the various

states.

It is worthwhile stating here that while the freedom given to the Finance Commission in the matter of tax transfers is unqualified, there is introduced in the Terms of Reference of the Sixth Finance Commission (such was the case for the Fifth, though not for the earlier, Commissions) a sort of qualification. The Terms of Reference require that, in making its recommendations on various matters before it, which naturally include tax transfers, the Sixth Finance Commission "shall have regard to the resources of the Central Government and the demands thereon on account of expenditure on civil administration, defence and border security, debt servicing, and other committed expenditures or liabilities." If the arguments were made that in any scheme of financial devolution it was only to be expected that genuine needs of the Union Government would have to be provided for, this would hold good right from the very outset. The question cannot be avoided as to why the Union Government considered it necessary to introduce this specific requirement in the Terms of Reference of the Fifth and Sixth Commissions.

Let us now pass on to transfers by way of grants. Article 275 "grants-in-aid of revenues" are meant to be given to the states "in need of assistance". Article 282 grants are, on the other hand, meant to be given "for public purposes". It has to be noted in the context of grants that, while Article 280 places a specific obligation on the Finance Commission "to make recommendations to the President" as to "the principles which should govern the grants-in-aid of the revenues of the states out of the Consolidated Fund of India", the same Article makes no mention of public purpose grants by the Union to the states. This omission of a reference to public purpose grants could be taken to mean that the Constitution did not wish to bind the Union Government to distributing public purpose grants on the recommendations of the Finance Commission.

While the Constitution does enjoin upon the Finance Commission to suggest principles for the determination of grants-in-aid, it, at the same time, stipulates that these grants-in-aid should be given to the states "in need of assistance". The Constitution does not, however, lay down how the states' respective "need of assistance" has to be measured. Could this not be taken to mean that the Finance Commission has been given complete freedom to lay down its own yardsticks for the measurement of the states' "need of assistance"?

It is in this context that the words, "and different sums may be fixed for

different states", seem to acquire significant meaning. Surely, here the Constitution could not be just ruling out the possible demand for equality with respect to the absolute "sums" to be transferred by way of grants-in-aid. Such a demand would be so obviously absurd that it is extremely doubtful if the Constitution had to provide a safeguard against such a possible demand. On the other hand, these words could well have been added to emphasise the extent of freedom which the Constitution was conferring on the Finance Commission in the fixation of grants-in-aid to the states. It is significant to note here that these particular words, "different sums may be fixed for different states", do not appear in Article 282 relating to public purpose grants. Thus it could be argued that the freedom given to the Union Government in giving away Article 282 public purpose grants to the states is not absolute or unfettered when compared with the freedom given to the Finance Commission in the fixation of the Article 275 grants-in-aid.

If the above reading of Article 275 with respect to the freedom given to the Finance Commission is correct, then why, it may be asked, is it that the Terms of Reference of the Sixth Finance Commission require that in recommending "the principles which should govern the grants-in-aid of the revenues of the states out of the Consolidated Fund of India and the sums to be paid to the states which are in need of assistance", the Commission should give regard among other considerations to six considerations specifically stated in the Terms?

To avoid the impression that in fixing the terms of reference of the Sixth Finance Commission a major departure has been made in this respect, it must be said immediately that even for earlier Commissions the Union Government — rather the President to be more precise — had made similar stipulations although the specific considerations required to be taken into account for this purpose were not the same for all the Commissions.

While the merits and demerits of the specific considerations which the Sixth Finance Commission has been asked to pay regard to in the fixation of Article 275 grants-in-aid need to be gone into — and will be examined when we come to the actual discussion of grants-in-aid — the broader question needs to be asked right here is whether the Constitution entitles the Union Government to lay down any norms or guidelines whatsoever for the Finance Commission to follow in the fixation of Article 275 grants-in-aid. It clearly does not. It is true that whatever sums

this regard will be in the nature of recommendations only, which Parliament may after due consideration well reject; but that being so does not entitle the Union Government to say to the Commission in advance what considerations it needs to bear in mind in making its recommendations and computations with regard to grants-in-aid of revenues to the states. It almost amounts to saying to the Commission: If you chaps don't make the recommendations on our basis, the Union Government would have nothing to do with them.

Now a view might well be taken that the Terms of Reference do not really impinge on the Finance Commission's freedom. After all, even when the Union Government has laid down some specific considerations to be borne in mind by the Commission, care was taken to ensure that the Commission could, if it considered necessary, take other considerations as well into account. Also, there is nothing which prevents the Finance Commission from giving any weight to any or all of the considerations spelled out in the Terms of Reference if the Commission so decides in the formulation of its recommendations on the subject of grants-in-aid. While there is considerable substance in this view, the fact cannot be overlooked that, by laying down certain specific guidelines in the Terms of Reference, the Union Government has all along sought to give a certain direction to the thinking of the successive Finance Commissions on the subject of grants-in-aid to states and that this the Union Government is not entitled to do under the Constitution. Also, it cannot be easily denied that in actual practice the successive Finance Commissions have largely accepted the guidelines thus laid down in the Terms of Reference for the fixation of grants-in-aid to the states. In fact, as we hope to bring out in the next instalment in this series, if it were not for this extra-constitutional attempt on the part of the Union Government — of laying down guidelines for the Finance Commissions — their approach to the whole question of financial transfers would probably have not reached the impasse it has now reached.

Under Article 280, it is the duty of the Finance Commission to make recommendations with respect not only to tax-transfer and grants-in-aid but also to "any other matter referred to the Commission by the President in the interest of sound finance". It is presumably on the strength of this provision that the Sixth Finance Commission has been asked, firstly, to undertake a general review of the states' indebtedness to the Centre and suggest changes in the existing terms of repayment of

Centre, and secondly, to review the policy and arrangements in regard to the financing of relief expenditure by the states affected by natural calamities and examine *inter alia* the possibility of establishing a National Fund to which the Central and state governments may contribute a percentage of their revenue receipts.

It is, in fact, being said on the strength of these two additional items in the Terms of Reference of the Sixth Finance Commission that this Finance Commission is particularly well placed to make a significant contribution in the field of Centre-state financial relations. There is no doubt that these two additional items referred to the Sixth Finance Commission are extremely important, and we propose to examine them in detail in the course of this series; but it must not be overlooked that any recommendations that the Commission might make with respect to these two items will be less binding on the Union Government than the Commission's recommendations with respect to tax-transfers and grants-in-aid.

In spite of the fact, therefore, that important additional items have been referred to the Sixth Finance Commission, it holds true that its Terms of Reference seek to impinge on the freedom and authority which the Constitution confers upon the Finance Commission.

In sum and substance, the constitutional position appears to be that the Finance Commission enjoys the greatest amount of freedom in the matter of both grants-in-aid as well as tax-transfers from the Union to the state governments. If, and to the extent that, the Terms of Reference come in the way of the exercise of this freedom, the Sixth Finance Commission would be well within its rights to ignore the Terms of Reference. The important thing, however, is not the mere exercise of freedom but the purposes and objectives for which it is sought to be used.

Appendix

PROVISIONS OF THE CONSTITUTION BEARING ON THE WORK OF THE FINANCE COMMISSION

Article 268

(1) Such stamp duties and such duties of excise on medical and toilet preparations as are mentioned in the Union List shall be levied by the Government of India but shall be collected

(a) in the case where such duties are leviable within any Union territory, by the Government of India, and

(b) in other cases, by the States within which such duties are respectively leviable.

(2) The proceeds in any financial year of any such duty leviable within any State shall not form part of the Consolidated Fund of India, but shall

(1) The following duties and taxes shall be levied and collected by the Government of India but shall be assigned to the States in the manner provided in clause (2) namely:

- (a) duties in respect of succession to property other than agricultural land;
- (b) estate duty in respect of property other than agricultural land;
- (c) terminal taxes on goods or passengers carried by railway, sea or air;
- (d) taxes on railway fares and freights;
- (e) taxes other than stamp duties on transactions in stock-exchanges and futures markets;
- (f) taxes on the sale or purchase of newspapers and on advertisements published therein;
- (g) taxes on the sale or purchase of goods other than newspapers, where such sale or purchases takes place in the course of inter-State trade or commerce.

(2) The net proceeds in any financial year of any such duty or tax, except insofar as those proceeds represent proceeds attributable to Union Territories, shall not form part of the Consolidated Fund of India, but shall be assigned to the States within which that duty or tax is leviable in that year, and shall be distributed among those States in accordance with such principles of distribution as may be formulated by Parliament by law.

(3) Parliament may by law formulate principles for determining when a sale or purchase of goods takes place in the course of inter-State trade or commerce.

Article 270

(1) Taxes on income other than agricultural income shall be levied and collected by the Government of India and distributed between the Union and the States in the manner provided in clause (2).

(2) Such percentage, as may be prescribed, of the net proceeds in any financial year of any such tax, except insofar as those proceeds represent proceeds attributable to Union emoluments, shall not form part of the Consolidated Fund of India, but shall be assigned to the States within which that tax is leviable in that year, and shall be distributed among those States in such manner and from such time as may be prescribed.

(3) For the purposes of clause (2), in each financial year such percentage as may be prescribed of so much of the net proceeds of taxes on income as does not represent the net proceeds of taxes payable in respect of Union emoluments shall be deemed to represent proceeds attributable to Union Territories.

(4) In this article

- (a) "tax on income" does not include a corporation tax;
- (b) "prescribed" means,
 - (i) until a Finance Commission has been constituted, prescribed by the President by order, and
 - (ii) after a Finance Commission has been constituted,

prescribed by the President by Order after considering the recommendations of the Finance Commission;

- (c) "Union emoluments" includes all emoluments and pensions payable out of the Consolidated Fund of India in respect of which income-tax is chargeable.

Article 271

Notwithstanding anything in article 269 and 270, Parliament may at any time increase any of the duties or taxes referred to in those articles by a surcharge for purposes of the Union and the whole proceeds of any such surcharge shall form part of the Consolidated Fund of India.

Article 272

(1) No Bill or amendment which imposes or varies any tax or duty in which States are interested or which varies the meaning of the expression "agricultural income" as defined for the purpose of the enactments relating to Indian income-tax, or which affects principles on which under any of the foregoing provisions of the Chapter moneys are or may be distributable to States, or which imposes any such charge for the purposes of the Union as is mentioned in the foregoing provisions of this Chapter, shall be introduced or moved in either House of Parliament except on the recommendation of the President.

(2) In this article, the expression "tax or duty in which States are interested" means

- (a) a tax or duty the whole or part of the net proceeds whereof are assigned to any State; or
- (b) a tax or duty by reference to the net proceeds whereof sums are for the time being payable out of the Consolidated Fund of India to any State.

Article 275

(1) Such sums as Parliament may by law provide shall be charged on the Consolidated Fund of India in each year as grants-in-aid of the revenues of such States as Parliament may determine to be in need of assistance, and different sums may be fixed for different States:

Provided that there shall be paid out of the Consolidated Fund of India as grants-in-aid of the revenues of a State such capital and recurring sums as may be necessary to enable that State to meet the costs of such schemes of development as may be undertaken by the State with the approval of the Government of India for the purpose of promoting the welfare of the Scheduled Tribes in that State or raising the level of administration of the Scheduled Areas therein to that of the administration of the rest of the areas of that State:

Provided further that these shall be paid out of the Consolidated Fund of India as grants-in-aid of the revenues of the State of Assam sums, capital and recurring, equivalent to

- (a) The average excess of expenditure over the revenues during the two years immediately preceding the commencement of this Constitution in respect of the administration of the tribal areas specified in Part A of the table appended to paragraph 20

- (b) the cost of such schemes of development as may be undertaken by that State with the approval of the Government of India for the purpose of raising the level of administration of the said areas to that of the administration of the rest of the areas of that State.

(2) Until provision is made by Parliament under clause (1), the powers conferred on Parliament under the clause shall be exercisable by the President by order and any order made by the President under this clause shall have effects subject to any provision so made by Parliament:

Provided that after a Finance Commission has been constituted no order shall be made under this clause by the President except after considering the recommendations of the Finance Commission.

Article 279

(1) In the foregoing provisions of this Chapter, "net proceeds" means in relation to any tax or duty the proceeds thereof reduced by the cost of collection, and for the purposes of those provisions the net proceeds of any tax or duty, or of any part of any tax or duty, in or attributable to any area shall be ascertained and certified by the Comptroller and Auditor-General of India, whose certificate shall be final.

(2) Subject as aforesaid, and to any other express provision of this Chapter, a law made by Parliament or an order of the President may, in any case where under this Part the proceeds of any duty or tax are, or may be, assigned to any State, provide for the manner in which the proceeds are to be calculated, for the time from or at which and the manner in which any payments are to be made, for the making of adjustments between one financial year and another, and for any other incidental or ancillary matters.

Article 280

(1) The President shall, within two years from the commencement of this Constitution and thereafter at the expiration of every fifth year or at such earlier times as the President considers necessary, by order constitute a Finance Commission which shall consist of a Chairman and four other members to be appointed by the President.

(2) Parliament may by law determine the qualifications which shall be requisite for appointment as members of the Commission and the manner in which they shall be selected.

(3) It shall be the duty of the Commission to make recommendations to the President as to

- (a) the distribution between the Union and the States of the net proceeds of taxes which are to be, or may be, divided between them under this Chapter and the allocation between the States of the respective shares of such proceeds;
 - (b) the principles which should govern the grants-in-aid of the revenues of the State out of the Consolidated Fund of India;
 - (c) any other matter referred to the Commission by the President in the interests of sound finance.
- (4) The Commission shall determine their procedure and shall have such

powers in the performance of their functions as Parliament may by law confer on them.

Article 281

The President shall cause every recommendation made by the Finance Commission under the provisions of this Constitution together with an explanatory memorandum as to the action taken thereon to be laid before each House of Parliament.

Article 282

The Union or a State may make any grants for any public purpose, notwithstanding that the purpose is not one with respect to which Parliament or the Legislature of the State, as the case may be, may make laws.

Notes

- 1 Report of the Finance Commission,

1969, p 8, para 2.1.

2 Report of the Finance Commission, 1969, p 9, para 2.3. The provisions of the Constitution which bear on the Centre-state financial relations are reproduced as an Appendix to this article.

3 Report of the Finance Commission, p 8, para 2.2.

Hesitant Approach to Science and Technology

B V Rangarao

In the NCST's Approach to the Science and Technology Plan, science as an activity involving the pursuit of knowledge and as a cultural need is accepted, but the emphasis is on commercialisation. The anxiety is to use science and technology. While it is, of course, necessary to use science, consideration of science as an integral part of the social and economic order is missing.

THE last decade was one of frustration for the Indian scientific community, in spite of the increases in grants. On the other hand, during the fifties, science and technology had been given unconditional support and protection by the government. As in several other areas, funds for research were channelled through individuals and organisations headed by them.

Having generally agreed that the enormous growth in scientific manpower, institutions and infrastructure has not led to commensurate social benefit, even the most orthodox in science and technology have supported the idea of planning scientific and technological activities in co-ordination with the agricultural, medical, industrial and socio-economic programmes in the country.

In November 1970, at the Third Conference of Scientists, Technologists and Educationists, called by the then existing Committee on Science and Technology (COST) to assess the implementation of the Scientific Policy Resolution (1958), it was strongly urged that a plan for Science and Technology should be prepared by the proposed National Committee on Science and Technology (NCST) in close association with the Planning Commission.

The subsequent policy formulations and institutional activities appear to have been influenced by the recommendations of that Conference. But some of the proposals have been seriously distorted. Thus, contrary to the recommendations, the NCST reports to the Cabinet through a Cabinet Minister and not through the Prime Minister.

The Approach to the Science and Technology Plan brought out for the first time in the country by the NCST in January 1973 involves the labour of hundreds of researchers and managers in different areas. Unlike much

of the NCST's labours over the last 15 months which have been devoted to preparing 'sectoral' science and technology plans in some 24 socio-economic areas, the Approach is undoubtedly the most important output of the NCST so far. Since plan formulation and implementation must be undertaken conceptually, methodologically, and institutionally as an integral part of socio-economic and defence planning, the seriousness it deserves is obvious. The NCST's task is particularly difficult in a country where diversity is more common than co-operation.

The Approach document, containing five chapters, deals with:

- (1) science-society relations (Introduction);
- (2) present state of the research system;
- (3) Strategy for planning science;
- (4) immediate programmes to be taken up; and
- (5) organisational problems — including size of the STP, and the mechanism for its financing.

Science, as it is understood today, has only a short history — although in wider sense it is as old man's efforts to survive. In Western Europe, scientific activity was pursued in different countries in varying institutional forms and content, and it made social adjustments with feudal and capitalist orders. In North America, the heterogeneous society, free of feudal bonds and consisting of those who were already in conflict with their parent systems, accepted science more readily. This has given North Americans an advantage in economic advancement, as science was highly commercialised. In the USSR, the compatibility between science and the social order has been greater than in Western Europe, and the benefits therefrom have been better too. So far as one can see, science has not been integrated to the optimum degree in

any society.

By the end of World War II, it came to be generally realised that science and technology are necessary for the preservation of prosperity of the advanced countries as well as for the uplift of the underdeveloped countries. The finances allotted to this activity during the post-World War II period have been unprecedented. All sections are anxious to be associated with and sometimes embrace science, but not many have realised how intimately science and technology are inherent components of their life and social living. In fact, the 'neutral' quality of Science and Technology is used for socio-economic advancement without altering the social norms. These fallacies are becoming apparent to increasing number of people with responsibilities in public life, only in recent years.

In the Approach to the STP, science as an activity involving the pursuit of knowledge and as a cultural need is accepted, but the emphasis has been on commercialisation; the anxiety is to use science and technology. While this is entirely laudable and necessary, consideration of Science as an integral part of humanity seems to have been missed.

This limitation arises because symptoms are considered as causes and material goals defined earlier than social outlook. In the Approach to the Fifth Plan itself, 'removal of poverty' is given priority. Yet poverty is a social consequence of the working of the prevailing order. Those who are privileged in a society are reluctant to alter it, but welcome more wealth being created in which their share would be high. Thus their desire is that science and technology should create wealth, without disturbing the prevailing social and economic order.

Science, along with technology, has been reduced in the Approach to the STP to a mere 'tool' or 'chief agent'

to be made readily available for a potential 'buyer'. Though it is sometimes called a 'modernising force', the urge to 'commercialise' and 'Capitalise' is obsessive. S and T are treated as a commodity that can be 'transferred', 'imported', 'modified', 'adopted' and 'used'. The UNCTAD study quoted, indicates that the direct financial costs to developing countries of importing technology, are already around \$ 1,500 million — equivalent to 5 per cent of their exports other than oil, about 40 per cent of their debt servicing costs, and nearly 60 per cent of the inflow of direct private investment. UNCTAD have also estimated that this figure will grow to \$ 9,000 million by 1980. As Anthony Wedgwood Benn stated: "Now all of a sudden, people have woken up to the fact that science and technology are just the latest expression of power and those who control them have become the new bosses, exactly as the feudal landlords who owned land or the capitalist pioneers who owned the factories became the bosses of earlier generations." [1] It is unfortunate that those who plead for science and technology have in mind the material prosperity and gadgets visible abroad, yet completely overlook the qualitative modifications science can bring about in the social order.

No two societies can achieve a similar pattern of material progress, even if they follow identical policies. This is because the emerging pattern is the outcome of an *interaction* between these policies and the prevailing socio-economic order. When one fails to comprehend the complexity and intricacies of the problem, the solutions offered are piecemeal. Without fully appreciating this, the Approach continues to pursue — indeed argues for intensification of the pursuit of — the furrow we have been following in regard to scientific and technological institutions since Independence, viz, designing of new organisations or dismantling of existing organisations merely because the United Kingdom has done so. To this has now been added imitation of other countries too. We have now institutionalised science and technology to a much greater extent than any advanced country has done. In size, too, we have the largest technological manpower. Despite all this, we still look to countries in Europe and North America for inspiration. Johnson has quoted technological developments in Egypt, Ghana and India whose ecological and social consequences have been unfortunate. "Aid-givers and aid-receivers... have been much too impatient, and have assumed that borrowed Western ideas will modernise any society. International scientists and technologists must perceive ways of encouraging the less deve-

loped countries to generate their own socially viable technology."

Scientific advances in communications, medicine, agriculture, etc, are instrumental in raising expectations of achieving equality and popular power and changing the social order. While it is accepted that economic growth and social advancement are complex social activities, it is expected in the Approach that these objectives could be achieved by importing a few forms. This is a naive view. These forms are more likely to be resisted and rejected by the societies as organic bodies.

All in all, the NCST has been unable to bring out in the first chapter of the Approach what social factors are in conflict with the advancement of scientific knowledge and its applications and how to bring about the necessary adjustments to fulfil human aspirations created by science itself. It is necessary to realise that each social system has certain limitations and attainment of rapid advances with outmoded and relatively static social orders is not possible. Technology does not surrender to mere exploitation.

THE PRESENT STATE

The very division of research activity into basic, applied and developmental is inherited from the western capitalist system. In the spirit of imitation, another category 'oriented basic research' was added a few years back. This category has arisen out of the Tree of Knowledge model devised long time back in Europe. The very concept of this chain of fundamental discovery, applied research, innovation and development work in that order is questioned by historical evidence and the present day technological processes.² The steam engine, along with the condenser, was in use before the laws of thermodynamics were formulated.

The institutional form for science in India is as good as that anywhere else in the world. The 104,000 scientific and technical personnel in R and D establishments, the third biggest next to those in the USA and USSR, is nearly equal to that in the three most advanced Western European countries (UK, France and West Germany) put together. The numbers of councils or committees are no less impressive. Financial support for research has increased by about one hundred times in the last 25 years. The activities in these institutions and the training imparted are not geared to meeting local social needs, resulting in simultaneous unemployment and non-availability of skilled personnel, brain drain, import of technology and wastage of laboratory efforts. The NCST has failed to enumerate the factors that have led to this mismatch. The deficiencies it mentions

— lack of criteria for allotment of finances and evaluation of research, policies toward import of technology, and the communication gap between industry and research laboratories — are symptoms rather than the disease. The absence of a common goal between industry and research establishments accounts for the communication gap. Attempts to build bridges with more institutions without creating common goals are likely to add to the cost without bringing the desired results.

In the pre-World War II period, no country, except USSR, had a definite policy for science. Its absence in colonial India was, therefore, no surprise. In UK they had a Haldane Report and some years later Hill produced one for the Indian colony. Hill or his colleagues should have produced similar reports for other British colonies.

History may be interesting and sometimes useful but in the rapidly changing world contemporary events and their socio-economic relations are more important. In the Approach it is pointed out that 90 per cent of all scientists ever born are alive. But 90 per cent of them are not living in the advanced countries; more than 10 per cent are in India alone. The exponential growth of science implies a high degree of influence of society. Without a discussion on the 'interaction' of science with society, there is stress on the 'need of inverse interaction' of society on science.

The imbalances in sectoral financial allotments, the personality cult, *ad hoc* policies for science, etc, follow from the lack of connection between science and the prevailing social order. Except with the initiative of major political forces, the structural alterations necessary to achieve compatibility between technological needs and the existing social norms cannot be obtained. In fact only in those countries where such structural changes were introduced has science and technology been able to make important contributions. The accelerated growth that is possible — as indicated by the examples of at least Western Europe, North America and USSR — was achieved in different periods and with varying social systems. This problem may be beyond the scope of a committee of ten to solve, but it is necessary to highlight the issue and open a debate.

STRATEGY FOR SCIENCE

After having realised that "We do not, as yet, have an adequate rationale for dealing with such a complex system", the NCST has inevitably resorted to a "process of trial and corrected error" as a "methodology for [science] policy formulation". The very attempt to prepare a plan for science and techno-

logy, in spite of the above limitations, is to be appreciated.

The basic strategy proposed has four aspects: (1) provision for and satisfaction of the basic minimum needs of the population; (2) achievement of self-reliance; (3) import of technology; and (4) deriving maximum socio-economic benefit from the scientific and technological resources built up so far and the "activities currently underway". There are contradictions among these different aspects. They help justify all the present research programmes. Past experience indicates this trend. When defence orientation was the slogan after 1962, each research worker claimed that his project had a defence potential. Similarly, when export promotion and import substitution were campaigns every research activity was justified and the calculated foreign exchange saving were fantastic.

To the NCST, social advancement appears synonymous with the Euro-American order. Is it necessary to bring everything into the market economy to improve the life of the people? The capacity of metropolitan societies to absorb technology is over-estimated. In this country we have not studied seriously the diffusion rates of different technologies among different sections of the people. The guess that medical technology has the highest diffusion rate in rural as well as urban areas and created more problems appears to have some basis. Agricultural technology is accepted but better results cannot be derived as the auxiliary sections do not co-operate to the necessary extent. The least diffusion rate is for industrial technology, managed by the urban based and Western educated who are reaping the maximum social advantage. It is not only in science and technology that we have not evolved the norms of evaluation but also in other professions. The social rewards are not commensurate with the service rendered to the community. This basic deficiency, which makes the system incompatible with science and technology, should be eliminated.

The ills of dependence and technology import are well elaborated in the Approach. Such technology is often unsuitable not because of the degree of science content but as it is created and marketed with high pressure salesmanship to reap profits and not to serve the social needs of a poor society. It is scandalous that in certain sectors while the production is not even one-quarter of the needs, 25 per cent of the sales returns should be spent on publicity and advertisement. A score of foreign collaboration agreements have been signed to make garments and imported cotton is required for under-

garments in a society where 40 per cent of the population live below the subsistence level. Export promotion is only a pretext. For instance, someone should assess what fraction of the capacity of luxury hotels is occupied by foreign tourists paying in foreign currency.

If the sections that decide the social programmes are reconciled to the unproductive urbanisation, the existing evils are the consequence. If investments to create land values of Rs 10,000 per sq m are accepted, even after increasing cement production four or fivefold it will be impossible to spare any for the construction of primary schools in Delhi, leave alone irrigation and communication facilities in rural areas. After all this, it is adding insult to injury to say that rural communities are less receptive to science and technology.

If industry and government are keen to import knowhow let them at least follow the Mexican example where legislation has been passed invalidating the monopolistic and imperialistic clauses of such import agreements which are generally not allowed in the countries of origin.

Technological research and industry have strong bonds with establishments abroad, without any links among themselves inside the country. This is not peculiar to India. In each society where science and technology are made meaningful to their respective societies the bonds with foreign agencies are broken or at least weakened to make them build bonds with other sections of their own society.

Employment should be to produce materials but not *vice versa*. In fact if policies are geared to real production, the demand for technical personnel is bound to grow beyond the present availability.

AREAS OF PROMOTION

Though it is reiterated that the objective of the science and technology plan is to provide basic minimum needs of the common man such as food, clothing, housing, health, education, water supply, communication, etc, this is not substantiated by the programmes suggested. This arises out of the 'orchestration' of diverse interests in the chaos of the 'free' market. Though the value of certain aspects of the atomic energy programme is doubted, there is no suggestion of evaluating the existing programmes in the context of the Plan. It is proposed to bring more land into cultivation. This is a primitive solution to enhance food production. Our need of uncultivated land is no less.

It is stated in the Approach: "We must take great care to assess where

we should actually initiate full-fledged national programmes and where we should generate capabilities on a more modest scale even as we closely follow international developments. This assessment must be decided for each area in the light of the status of the technology in the industrial countries, our existing capabilities, the minimum critical finances involved and the importance of the national need to be met by the technology concerned." But there is no mention of the relative weightage to be assigned to each of these factors. It is doubtful whether any priorities are arrived at after all this exercise, when cryogenics, solar energy utilisation, magneto hydrodynamic (MHD) power generation, desalination and biological control of pests are all clubbed together.

A few days after the release of the Approach document a spokesman of the Atomic Energy Department announced that it had been decided to go ahead with MHD power generation. It was also stated that a 2 MW generator would be set up soon and later a 25 MW one. This smells of some collaboration with the USSR as that country has already experimented with 2 MW plant and has probably completed a 25 MW generator of MHD type. The policy of self-reliance thus gets mutilated at birth. In fact, this programme does not stand even the vague tests prescribed in the same document. As pointed out by Benn [1]: "Even if looked at from a purely practical point of view it would appear that the main barriers to human advance lie more in our failure to apply well established techniques than in our tardiness in evolving new ones."

ORGANISATIONAL PROBLEMS

It is gratifying to see that several suggestions made at the Third Conference are to be implemented, though a considerable number of them are also left out. The 'basic reforms in the working culture of scientific administrative establishments' are overdue; it has yet to be seen how fast the 'existing values and regulations' and the weighty statutes and precedents, hegemony, hierarchy and bureaucracy can be eliminated from science.

While pleading for self-reliance, scientists should themselves curtail their need for foreign exchange and foreign visits, instead of asking for more.

Establishment of a Marine Resources Development Commission is welcome but several committees might be outliving their usefulness and the composition of several governing bodies of research councils and institutions is hierarchical and requires to be radically changed. The Sarkar Committee recommended the

abolition of the CSIR Governing Body, but similar bodies exist everywhere else.

It is proposed to set up a centre for research on polymers and elastomers. There is no doubt regarding the need for such research but in organising technological research, projects and institutions should not be permanent entities; instead, regrouping and re-orientation should be the policy. Already we have a large number of research institutions and there are scientists working in different places on polymers. To build up viable groups and organisations in these places would be more appropriate so that considerable duplication can be avoided and scientists after completing a given task can take up new challenging problems and avoid frustrations.

In the Approach document it is pointed out that the information services in the country are very poor. But no concrete suggestions are made. In fact, the cost of these inefficient services has been very high in foreign exchange. Due to lack of appropriate services each library competes in subscribing to a large number of expensive foreign technical periodicals. Even the maintenance of the back numbers is highly expensive. Though they are indispensable, their use is limited. If efficient documentation services are provided, multiple subscription to foreign journals can be reduced considerably without hampering the facilities.

The 'Mathew Effect', under which greater recognition goes to some 'emi-

nent' scientists primarily because of certain exterior reasons, is widely prevalent. "Science is anti-authoritarian, ideas cannot be accepted because of the character or qualities of their protagonist... The elitist trend runs contrary to the tenets of universalism"[4]. We can have any number of scientists but science can neither flourish nor survive unless the necessary climate is provided. Democratisation in science should aim at the elimination of anti-science practices prevalent in our institutions. Steps should be initiated to inculcate science in policies and social behaviour.

Introduction of a research cess is overdue. But its management requires very careful consideration. The functioning of existing research associations is unsatisfactory. Routine operations in industry such as quality control are put under research heads. There is a risk of some industrial units grabbing these funds and using them for non-research purposes.

In spite of all the limitations, the Approach, with the lightest pink shaded cover and not even 'pinkish' inside, is welcome. The Minister of Science and Technology, in his Foreword, points out that the National Committee and its associates do not constitute a repository of all wisdom. He wants a thorough discussion to evolve a suitable plan. Unfortunately yet typically, except the three conferences sponsored by the NCST itself at Kanpur, Bombay and Madras, and editorial comments by daily newspapers there is no serious

discussion among the working researchers in the laboratories or the academic societies. The lack of social awareness and interest in science policy are made apparent by the absence of any debate. But there has to be a plan, to be modified with suitable objective analysis instead of the trial and error process. What appears as a correction often manifests as another error when it is introduced without a comprehensive study. While welcoming the idea to have an Approach to the Science and Technology Plan, the research community and the associated sections should be reminded of their responsibility to study this aspect seriously.

Notes

- [1] "The Control of Science for Civil Needs", Anthony Wedgwood Benn, *Technology and Society*, Volume 7(1), 1972, pp 29-32.
- [2] "The Responsibility of the International Fraternity of Scientists for New and Better Approaches to Economic Development", Edgar Johnson, "Conference on Science and Society, 1971", Herceg-Novi, Yugoslavia, summarised in a Conference Report, *Technology + Society*, Volume 7(1), 1972, pp 33-34.
- [3] "The Development and Organisation of Scientific Knowledge", Harold Himsworth, Heinemann, London (1970) p 59.
- [4] "A Dissenting View on the Scientific Ethos", Robert A Rothman, *British Journal of Sociology*, Volume 23(1), 1972, pp 102-108.

Bilateral Trade Agreements

The Indo-Sudan Experience

Priya Mutalik-Desai

India and Sudan signed a trade protocol for the 18 months from July 1971 to December 1972. India's trade with Sudan is regulated by trade agreements first entered into in 1965. The volume of trade both ways has been progressively increasing over the past seven years.

However, recent developments have caused a stalemate in Indo-Sudanese trade relations. Experience with other bilateral trade agreements too, which were intended as aids to trade promotion, similarly indicates how there can be a sudden disruption of such trade leading to heavy losses.

The issues that are raised in this context are: What are the major conditions for the success of trade agreements as durable bases for trade? What are their limitations if any? These problems are considered here against the background of Indo-Sudanese trade.

SUDAN occupied the eighth rank in 1970-71 in India's export trade accounting for about 2 per cent of India's total exports; on the other hand, India's share accounted for about 10 per cent of Sudan's export as well as import trade. India's exports to Sudan rose

from Rs 948 lakhs in 1960-61 to Rs 3,827 lakhs in 1970-71. On the other hand, imports from Sudan increased from Rs 941 lakhs to Rs 2,094 lakhs during the same period. While exports averaged to Rs 859 lakhs during 1960 to 1966, this average spurted up to Rs

2,168 lakhs during 1965-66 to 1970-71. Similarly the average imports increased from Rs 1,092 lakhs to Rs 1,738 lakhs between 1960-61 and 1970-71. It may be noted from Table 1 that the balance of trade was favourable to India for four out of eleven years and that India earn-

ed a large surplus of Rs 1,733 lakhs in 1970-71.

Sudan's share in India's exports to Africa has been well over 20 per cent while the share in imports from Africa has amounted to more than 12 per cent since 1966. During these years, Sudan has emerged as the second largest market for Indian goods in Africa, ranking next only to the UAR.

A cursory glance at the commodity composition of the trade brings out the following major features of this trade. Tea, cotton piecegoods, jute manufactures, fabrics of art silk, synthetic fibre, spun-glass, and made up articles wholly or chiefly of cotton, constitute the major commodities of exports from India. The heavy reliance on traditional export commodities is being reduced by increasing exports of engineering goods, which contributed between 12 and 23 per cent of total exports to Africa during 1969-70 and 1970-71. On the import side, raw cotton is the sole important commodity and makes up more than 90 per cent of our imports from Sudan. Gum arabic forms a very small percentage of our imports from Sudan. This can well be termed as a highly concentrated pattern of trade.

It is beyond doubt that the trade agreement considerably helped to take imports and exports on to a higher level than before. At the same time, the diversification witnessed in India's exports to Sudan was completely lacking in India's imports from Sudan. The basic imbalance in the trading pattern is the direct consequence of the disparity in the levels of development achieved by the two economies. Although Sudan is attempting to broaden the structure of exports by introducing groundnuts and skins and raw hides, unless there is a structural transformation of the economy, such diversification will be difficult to come by.¹ A large variety of items for export and import imparts flexibility to the mutual exchange of goods and avoids friction resulting from limited choice of goods.² Trade agreements in this situation, apart from furthering trade to higher levels, lend specificity and moral compulsion to the trade relations between two countries.

A special feature of the Indo-Sudanese trade agreement has been its indefinite duration, as it is not necessary to renew the agreement every year. The framework of the agreement provides for the most favoured nation treatment to be extended to Sudan and development of the economic and commercial relations on a wide front.

A trade protocol is to be negotiated

TABLE 1: INDIA'S TRADE WITH SUDAN, 1960-61 TO 1970-71

(Rs lakhs)			
Year	Exports	Imports	Balance of Trade
1960-61	948	941	+7
1961-62	1039	1056	-26
1962-63	896	1711	-815
1963-64	785	852	-67
1964-65	634	901	-267
1965-66	817 (13)	574 (10)	+243
1966-67	1457 (20)	1738 (19)	-281
1967-68	2075 (29)	1152 (12)	+923
1968-69	1847 (25)	2150 (14)	-303
1969-70	1985 (23)	2722 (19)	-737
1970-71	3827 (28)	2094 (12)	+1733

Note: Figures in brackets indicate Sudan's percentage share in India's export and import trade with Africa.

Source: Government of India, Office of Economic Adviser: Country Statistics with Special Reference to Africa.

Various issues of *Monthly Statistics of Foreign Trade of India*.

every year in May-June, covering the period July 1, to June 30, to decide upon the annual export and import targets on the principle of balanced trade. However, the latest agreement, for 18 months, was the first time that one of such a long duration was concluded between India and Sudan — commencing on July 1, 1971, and extending upto December 30, 1972.

The trade plan, which is a rupee payment agreement, envisaged exports from either country worth £33 million. Under the terms of the agreement, India was to import substantially more cotton than in the previous periods. It was expected that Sudan would supply 350,000 bales of cotton and so that India would emerge as the largest buyer of Sudanese goods during the period. India was also to import substantial quantities of gum arabic and raw hide, though no target was set for this. On the other hand, India was to export tea, jute manufactures, textiles, spices, lentils, and non-traditional items, particularly engineering goods, totalling to £28.8 million — the balance of £4.2 million being covered up by an in-built inherent imbalance of the previous year.

Indian exporters not only fulfilled their quota of £28.8 million during the first 12 months of the agreement, but even exceeded it by about £7 to 8 million; meanwhile, exports from Sudan have been lagging far behind. Of the £33 million deal, £32 million will account for cotton alone. So far, Sudan has exported goods worth only £10 million. The Bank of Sudan suddenly suspended franking of licences to review the trade between the two countries; India also took an extraordinary step by declaring an informal ban on Indian exports to Sudan to settle payments difficulties. While Sudan's trade

ministry wants to pass on the blame for the impasse to India, India too seems to have many grievances. According to India, Sudan has already exceeded the ceiling by £7 to 8 million. Sudan has also exhausted whatever technical credit could be normally given. Sudan supplied less cotton than agreed to in the trade agreement, was unprepared to pay the rest in sterling. £40,000 are also outstanding from Sudanese shippers on account of short weight and poor quality claims. Indian traders complain that shortcomings in Sudanese supplies increased after the export and import trade was nationalised by the Sudanese government. They had been demanding a higher price for less quantities of cotton. And the latest difficulty arose on account of Sudanese demand for carrying charges to be paid in advance for shipments. Sudden dislocation in the flow of goods between the two countries has thus resulted in a large number of export goods to Sudan being stranded at Indian ports. Against the background of past performance and in the framework of the trade agreement, the importance of the trade and commercial relations between the two countries could be judged. India's and Sudan's economies are complementary to each other. Sudan is one of the most important suppliers of extra long staple cotton required for India's textile industry. Sudan has also a near-monopoly of gum arabic, which is an important raw material for the textiles, chemicals and pharmaceuticals industries. India, on its part, is supplying various traditional and non-traditional items essential to the development of Sudan's economy. However, during the coming decades, expansion of trade through trade agreement alone cannot be taken for granted. Sudan's trade potential, the structure of

TABLE 2: MAJOR COMMODITIES OF EXPORTS TO SUDAN, 1967 TO 1970
(Rs lakhs)

	1967-68	1968-69	1969-70	1970-71
Tea and mate	585	596	287	564
Spices	21	24	29	60
Essential oils and resin oils	30	38	33	40
Fabrics of art silk synthetic fibre and spun glass	15	27	27	132
Cotton piece goods	483	409	371	1386
Madeup articles wholly or chiefly of cotton	11	21	81	41
Jute manufactures	597	307	510	834
Iron and steel	138	75	92	135
Aluminium	Neg	Neg	67	36
Manufactures of metal	12	67	97	57
Machinery other than electric	19	19	49	73
Electrical machinery apparatus and appliances	21	34	60	108
Transport equipment	18	50	42	35
Articles of artificial plastic materials	6	11	25	11
MAJOR COMMODITIES OF IMPORTS FROM SUDAN, 1967 TO 1970				
Raw cotton excluding liners, sweeping, etc	1095	2098	2660	2017
Gums, resins and balsams	56	51	62	77

Source: Same as for Table 1.

its foreign trade, its trade policy, and its changing relationships with other countries, will be major factors influencing future trade relations between India and Sudan.

Sudan is the largest country in Africa with an area of 1 million square miles, and has a population of 15 million. Its per capita gross domestic product increased from £ 33 in 1964-65 to £ 36.4 in 1969-70. While industry contributes a small percentage (9 per cent) to total GDP, agriculture accounts for about 43 per cent of total GDP. The major industries in Sudan are iron ore, manganese, chromites, cement, petroleum products, cotton lint, cotton textiles, footwear, knitwear, readymade clothes, sugar, vegetable oil, canned fruits, vegetables, macaroni and spaghetti, confectionery, soft-box leather and hard leather. For fulfilment of its domestic requirements, Sudan government is giving liberal concessions and incentives for development of light and food industries. Even though industrial development continues to receive attention, its contribution to the total GDP remains low.

The five-year Economic and Social Development Plan, 1970-71 to 1974-75, envisages increase in GDP at an average rate of 8.1 per cent as against 2.7 per cent in the previous five years. Taking into account the annual increase of population by 2.8 per cent, the GDP per capita is expected to be jacked up to £ 47.6 by 1974-75. Economic trends in Sudan give hope of speedy development. The Economic Commission for Africa considers the economic outlook for Sudan as favourable.³

In the sphere of foreign trade, Sudan

for some time has been strictly following the policy of maintaining its balance of trade with all the countries with which it trades — mainly with a view to conserving hard currency. Several government corporations emerged to handle export and import trade by June 1970, after the nationalisation and confiscation of foreign establishments. This implied the elimination of private exporters and importers, and a change in the organisational structure of foreign trade.

Sudan's trade with the socialist countries specially the USSR is increasing. Its export and import trade with the USSR increased by 9 and 6 times, respectively, during 1960-1970 (United Nations, *Monthly Bulletin of Statistics*, July 1971, p x vii, Special Table B). The socialist countries supply mainly machinery and equipment, textiles, sawn timber, sugar, pharmaceutical products, hospital equipment, fertilisers, etc. The EEC countries are also playing a sizeable role and their share is around 25 per cent in the total trade. Growing trading relationships with UAR, Libya, and China, need to be reckoned with as well. The UK is trying to maintain its share in the Sudanese market. On the other hand, imports from India and Japan are gaining ground. Since the western establishments in Sudan were liquidated and drastic changes were introduced in the import policy of Sudan, imports of a number of popular Western brands have come to an end. This has certainly provided better scope to a number of other countries to promote their exports.

In forging wider economic relations

with Sudan, one of the important factors is participation in its development projects. Thus, while Russian experts have helped in formulating the development plans, the Chinese have provided interest-free loans and technical assistance in various fields of development. Sudan and Soviet Union also signed a \$45 million three-year agreement, under which Sudan will mainly sell cotton to the USSR in exchange for Soviet building and farm equipment.⁴ Japan has offered to finance the establishment of an agricultural scheme and a sugar factory. India, too, has agreed to participate in development projects in Sudan. Though it is difficult for India to help Sudan in the big way that the Russians, Chinese and Japanese have done, supply of railway wagons, transmission towers, conductors and couplers at competitive prices has been very useful for the development of the railways in Sudan.

The various developments mentioned above not only indicate that Sudan is a promising market for various consumer and capital goods but also that there are formidable competitors in that market. The expansion of India's trade with Sudan could, therefore, be interpreted as an added effect of the 1965 trade agreement. Whether the present trend will be sustained in future as to become almost automatic, is a difficult question to answer. Perhaps this query may form part of a deeper question of the basis for evolving trade relations among developing countries which are at different stages of development.

A look at Sudan's total exports and imports as well as at its foreign exchange reserves shows that Sudan had an unfavourable balance of trade during the entire period, 1965 to 1971 (excluding 1970 when Sudan enjoyed a small surplus), and that its foreign exchange reserves have also dropped from £ 59.7 million in 1965 to £ 27.9 million in 1971.

Raw cotton continued to be a major foreign exchange earner for Sudan, fetching more than 60 per cent of total earnings in 1971. In 1970, cotton prices were higher than in 1969, and this trend seems to have continued. In its desire to earn more foreign exchange, Sudan is trying to export more to the countries of Western Europe. At the same time, promotion of trade with socialist countries is also being vigorously pursued on different considerations. Since a large number of consumer and capital goods coming from China, USSR, and various other socialist countries, as well as from Japan, are cheaper than the goods coming from India,

Sudan could be easily induced to export cotton to these countries in exchange for them.

Sudan is interested in importing traditional goods such as tea, jute manufactures, and cotton textiles from India; but in all these fields, India faces tough competition either from East Africa and Ceylon in tea (tea from these regions is cheaper than Indian tea) or from Pakistan (jute manufacturers), China and Japan (cotton textiles). An example of the headway cheaper Chinese goods have made in Sudanese markets may be found in the following. In 1970, Sudan's government decided to put up co-operative department stores in various parts of Khartoum for selling all types of consumer goods to the public. To make this experiment successful, the co-operative society was given a licence to import £ 0.5 million worth of stores from China, the stress being on the imports of cheaper goods (The Government of India, Ministry of Foreign Trade: *The Journal of Industry and Trade*, Volume XX, Number 11, p 1316). Due to this major limitation, future exports of these goods will have to be watched very carefully. At present, Sudan does not want to cross the ceiling for trade turnover agreed to under the trade agreement with India. Given the exports of traditional goods this amounts to restricting the imports of non-traditional goods from India. Since Sudan's trade with India is based on 'balance the trade' principle, more imports from India means more exports especially of cotton from Sudan to India. This is the reason which lies at the root of Sudan's unwillingness to raise the ceiling or to exceed it. It would be worthwhile to see what makes Sudan disinterested in exporting more cotton to India.

India has always been pressing Sudan for more long staple cotton needed in the production of the finer varieties of cloth. India has been the single largest importer of cotton from Sudan and about 20 per cent of the total cotton shipments were sent to India in 1969.⁶ But to step up the cotton exports still further to India would severely restrict Sudan's ability to export more cotton to some other interested parties. For instance, during the last few years, the strength of the demand from the communist bloc for Sudan's long staple cotton was such that the disposal of accumulated surpluses was almost complete and, in 1970, the incoming crop too was being committed.⁷ Sudan has established closer economic co-operation through trade agreements and is receiving wide-ranging aid from the socialist

TABLE 3: SUDAN'S EXPORTS, IMPORTS, BALANCE OF TRADE AND FOREIGN EXCHANGE RESERVES

Year	Exports	Imports	Balance of Trade	Foreign Exchange Reserves (£ million)	
				Cotton	Exports
1965	67.96	72.29	-4.33	59.7	31.36
1966	70.73	77.46	-6.73	57.2	34.92
1967	74.15	81.18	-7.03	54.7	40.91
1968	81.15	89.71	-8.56	47.7	48.56
1969	86.20	92.48	-6.28	36.4	49.52
1970	103.91	100.12	+3.79	21.6	63.67
1971	114.37	115.44	-1.07	27.9	69.91

Source: IMF *International Financial Statistics*, March 1972 and April 1972.

bloc countries for its development projects.⁸ Under the economic co-operation agreement with China, Sudan was granted a development loan of \$ 35,000,000 to finance the building of roads, bridges, and a textile factory. Thus Sudan's cotton exports are getting increasingly tied to the socialist countries.

Sudan is also faced with another dilemma the solution to which is being found by turning to West European countries. With a view to achieving diversification in its export and import trade, and also to arrest further fall in foreign exchange reserves, hard currency earnings have become increasingly important to Sudan. This function could be fulfilled by higher exports of cotton and of some other items to the West European countries. This has been reflected in the rise of cotton shipments to these countries from 15,042 thousand Sudanese pounds in 1966 to 20,979 thousand pounds in 1969.⁹

An additional factor affecting the surplus of raw cotton for exports is the need to meet the growing internal consumption of cotton. Internal consumption of cotton increased, from an average of 22,000 tons in 1964-66 to 31,000 tons in 1970.¹⁰ This was also reflected in the production of textiles, which was stepped up from 36 million metres in 1965 to 92.7 million metres in 1969.¹¹ Future increases in internal consumption will make considerable inroads into the available surpluses of cotton for exports.

Thus, the mounting pressure of foreign exchange reserves, the need to replenish them through exports to non-agreement countries, such as the West European countries, the need to fulfill the growing demand for cotton from the socialist countries under the trade agreements contracted, the rising internal consumption of cotton on the growth of its textile factories are likely to be the restricting-factors in the growth of Indo-Sudanese trade. The Sudanese government is also unwilling to offset the higher exports of cotton to India against

India's export goods due to the latter's higher prices.

These same factors are also responsible for diverting the supplies of cotton to the non-trade agreement areas, such as West Europe as well as trade agreement areas like the socialist countries. It is to be noted that all the socialist countries have trade agreements with Sudan and that they extend substantial facilities under their programmes of export and imports market development.¹² Provision of such liberal facilities is beyond India's financial capacity. The speedy expansion in trade between India and Sudan is based not only on commercial considerations but is also motivated by the Charter of Algiers. It is supposed to be an expression of two developing countries' desire to help each other in their drive towards economic development. Its success will, therefore, be determined by a search for some basic factors that lend durability to the technique of trade agreements.

The major emphasis in Sudan's Five-Year Plan on development of agriculture and water resources, would be very conducive to the growth of exports of agricultural implements and machinery from India. A detailed survey of the Sudanese economy and its development plan would provide a list of such items needed for the development projects in Sudan and so easily acceptable in that market. This type of exercise has become essential in view of the recent happenings in the case of various trade agreements which have sounded serious warnings to the development of trade among the developing countries in the Afro-Asian and Latin American regions on the basis of trade agreements.

A few lessons could be drawn from the recent disruption in Indo-Sudanese trade. First, in a developing country characterised with an inflationary situation at home, the domestic market becomes more remunerative and attractive for the producers. However, through various measures such as export

incentives and compulsory exports, we are creating a class of outward-looking producers. But disturbances in the functioning of the trade agreements dampen the spirit of exporters and stall any movement in the direction of this vital change. For instance, the controversy over the Indo-Russian wagon deal affected exporters greatly.

Secondly, so far, most of the African countries enjoyed a favourable balance of trade with India. During the last few years, a perceptible change is taking place in the form of either a decline in this balance or a favourable balance for India. It could be that, so long as these countries enjoyed favourable balance of trade, they were not worried about increase in India's exports. The situation is now slowly reversing in favour of India, and it is not unlikely that the Sudanese will have second thoughts regarding the furtherance of trade through such agreements. At the same time, countries at the higher stage of development such as India, will have to show greater accommodative spirit by way of acceptance of other export items from trading partners instead of insisting on our own needs for a particular commodity.¹³ Otherwise there might result serious damage to the future trade relations between the two developing countries.

Sudden stoppage of trade with Sudan is not a solitary instance in point. One could look back and find similar instances with regard to Indo-UAR and Indo-Yugoslav trade agreements. The whole issue of trade agreements between developing countries merits greater attention and clear thinking in order to understand the problems involved — instead of looking for patch-work solutions as and when the trouble erupts.

Trade contracts are a looser form of co-operation. They will always have limited value and operate with difficulty if certain precautions are not taken. Trade agreements imply specific trading arrangements for selected commodities with assurances of a market for the selling countries, sources of supply for the buyer countries, and some stability of trade volume or price or both regarding traded commodities. Within the broad framework of a trade agreement, therefore, price competitiveness and prevention of undue rise in prices of export items are essential considerations.

The success of trade agreements largely depends on intensive commercial surveys of the respective country's trade potential, a proper understanding of the country's development plan, a careful study of the country's needs, and provision of opportunities for the disposal of surpluses emerging out of plan

fulfilment. In planned development, a country profitably creates surpluses of certain commodities which it desires to dispose of through exports. It also faces shortages of a number of goods which can be met through imports. Therefore, the operational significance of trade agreements may be considered as an intermediary that brings together the planned surpluses and deficits of two countries, thereby relieving the countries in a planned and systematic manner to their mutual advantage. Additionally, trade agreements must be backed by regular export promotion measures, scrutiny of evolving balance of trade situation from time to time, and regular visits of government survey-teams to maintain the progress of trade agreements. Otherwise, it will only result in bouts of trade expansion, followed by a period of trade stand-still. Prompt solutions to intricate organisational problems, such as provision of credit facilities, willingness to carry forward surpluses and deficits, preparedness to exceed the purchase and sale of certain commodities, occasionally, will also speed up their implementation. In sum, a proper perspective will go a long way to create the right kind of climate for expansion of trade among bilateral trade partners and convert the instrument of trade agreement into a dynamic agent of trade expansion.

Notes

- 1 Refer to Oman Usman and A A Suleiman — 'The Economy of Sudan' in Robson and Lury — "The Economies of Africa, 1969", pp 436-470 and United Nations, Economic Commission for Africa, "Economic Survey of Africa, Volume II, North Africa Subregion", 1968, for a detailed survey of Sudanese economy.
- 2 In its dependence on fortunes of a small number of agricultural products, Sudan is like most other developing countries. Unavailability of wider choice in the selection of import commodities, is likely to prove a constant irritant in India's
- 3 The Economic Commission for Africa, "Survey of Economic Conditions in Africa 1970", p 181.
- 4 *Africa Research Bulletin*, Volume 7, Number 12, December 1971, p 1917.
- 5 For a detailed account of benefits of trade agreements refer to Sunanda Sen, "India's Bilateral Payment and Trade Agreements 1947-48 to 1969-64", Calcutta, 1965.
- 6 'Sudan in 1969-70' — A Supplement to *Arab Economist*, April-May, 1971, p 24.
- 7 *Indo-African Trade Journal*, Volume VI, Number 8, August 1970, p 54.
- 8 For a list of such aid from Czechoslovakia, Poland, East Germany, Bulgaria, Hungary and Yugoslavia, see *Africa Research Bulletin*, Volume 7, Number 7, August 31, 1970, p 1778 A.
- 9 'Sudan in 1969-70', *Ibid*.
- 10 United Nations (FAO), "Agricultural Commodity Projections, 1970-1980", Volume I, p 245, Table 3.
- 11 The Economic Commission for Africa, *Ibid*.
- 12 One of the principles underlying trade relations between the planned economies and developing countries is that developing countries can repay credits with goods. This is a great advantage, specially to those countries in which industrial enterprises have been built with the assistance of the countries with planned economies. This method of repaying credits stimulates the export of the products of the new enterprise, which, as a consequence, make fuller use of their capacity. Also refer to, UNIDO — 'Export Market Development in the Centrally Planned Economies of Europe', in United Nations "Development of Industrial Exports", New York 1970, pp 93-113.
- 13 For instance according to Egyptian sources the biggest hurdle in the further expansion of Indo-UAR trade is India's reluctance to buy non-traditional items. Cotton constitutes the biggest single item in India's imports from the UAR and the latter is sore on this score. *Economic Times*, Volume XII, Number 170, August 21, 1972, p 1.

SUBSCRIPTION RATES

	Inland	Foreign (surface mail)
6 months	Rs 40	
1 year	Rs 75	Rs 110
2 years	Rs 140	Rs 210
3 years	Rs 200	Rs 305
Concessional Rates for Teachers and Students		
6 months	Rs 18	
1 year	Rs 35	
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3 years	Rs 80	

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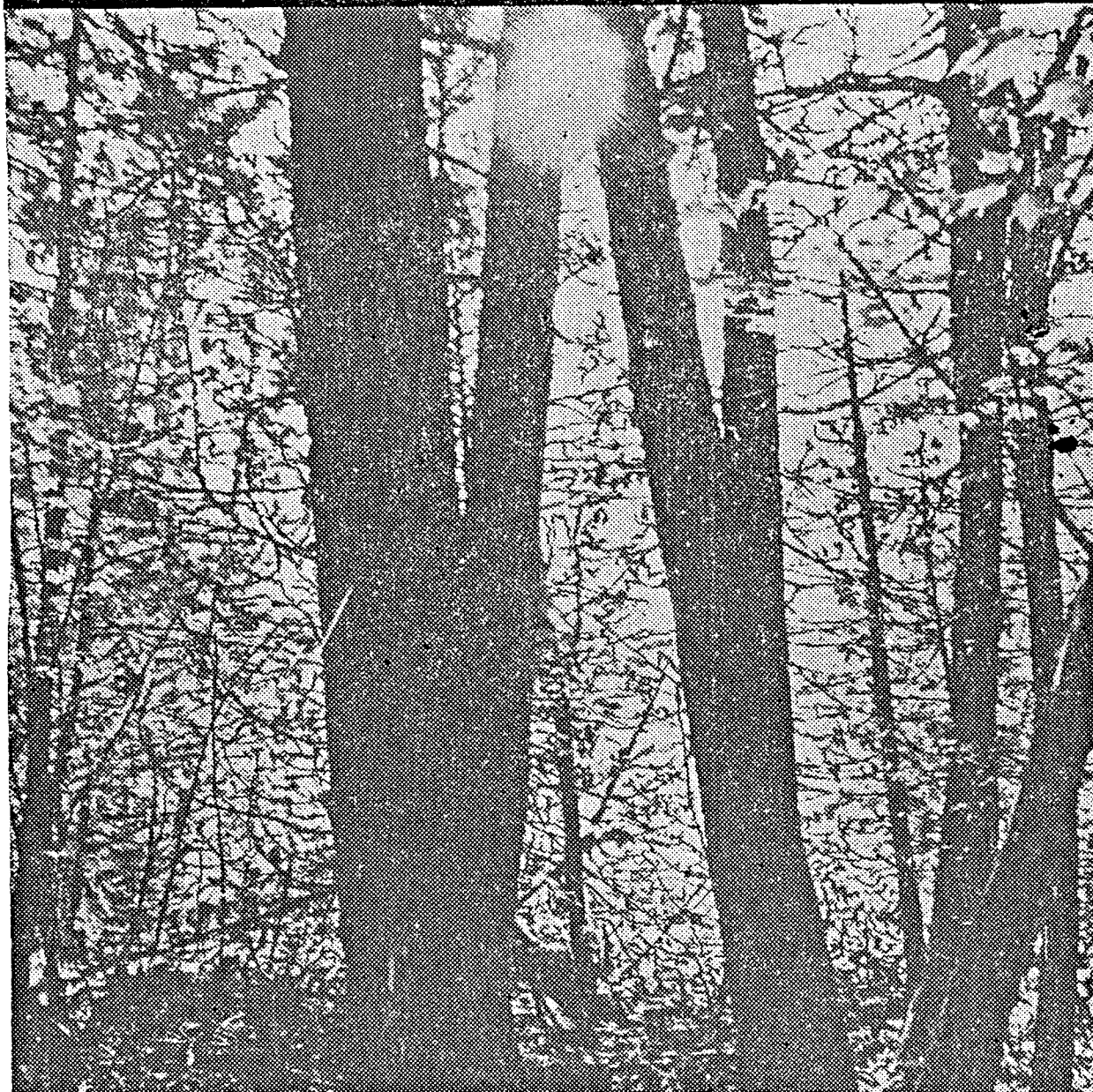
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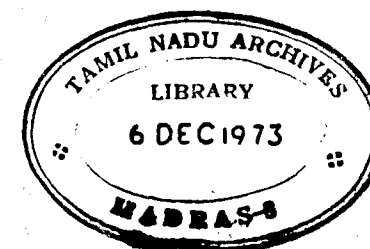
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May 19, 1973



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YET MORE INCENTIVES FOR BIG FARMERS

THINKING 'BIG' IN STEEL

FROM REFORMIST PRINCES TO CO-OPERATIVE KINGS

REALISTIC BASIS FOR INDO-BANGLA TRADE

POONA RIOTS

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ECONOMIC AND POLITICAL WEEKLY

Founder-Editor: Sachin Chaudhuri

Vol VIII No 20 May 19, 1973

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ECONOMIC AND POLITICAL WEEKLY
Skylark 284 Frere Road Bombay 400 001
Phones 266072, 266073, 260192
Grams Econweekly
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Losing Struggle

THE Economic and Financial Classification of the Central Government Budget, published every year by the Minister of Finance, groups government expenditure, firstly, according to economic categories, such as consumption, savings, capital formation and financial investment, and, secondly, according to the purpose of the expenditure, such as social and economic development, defence and administration. There is, besides, also a cross-classification by both economic and functional categories. From an analytical point of view, the classification suffers from certain serious limitations. Firstly, it covers only the Central government budget and does not include the state budgets and budgets of semi-government bodies, which are substantial beneficiaries of financial devolution from the Centre. Nor is the expenditure of the state governments and semi-government bodies classified in a similar manner anywhere else. Disbursements of the state governments taken together now almost equal those of the Centre. It is unfortunate, therefore, that neither the Finance Ministry nor the Planning Commission nor the Reserve Bank systematically attempts economic-cum-functional classification of the state government budgets.

There is also much scope for improving the methodological base of the Economic Classification of the Central Government budget. In many cases the classification of expenditure is arbitrary and without any firm empirical basis. For instance, the central assistance to states and union territories, given in the form of block grants, is allocated between current and capital grants in the ratio of 1 : 1. Similarly, grants for the crash schemes of rural employment have been divided in the same ratio between 'current' and 'capital' grants. In the Central government's own direct expenditure, one-half of the provision for creating jobs for the educated unemployed has been treated as capital expenditure and the other half as consumption; of the latter, again, one-half has been treated as wages and salaries and the other half as current purchases of commodities and services. One-fifth of the provision in the 1973-74 budget for advance action on the Fifth Plan has been treated as 'building and construction' and four-fifths as "machinery and equipment"; thus the entire expenditure has been included under direct capital formation by the Central government. It is not clear in what proportion expenditure on the crash rabi agricultural programme (whether financed by grants or loans or directly incurred by the government) has been classified between current and capital expenditure. The cross-classifications show that between 1971-72 (accounts) and 1972-73 (revised estimates), there was an increase of about Rs 120 crores under capital expenditure on agriculture and about Rs 220 crores under total expenditure on agriculture.

Of the Central Government's total expenditure of Rs 7,840 crores in 1972-73, a little over one-half (51.3 per cent to be exact) or Rs 4,025 crores was spent on 'social and economic services'. The balance went for non-developmental purposes. The proportion of total expenditure on 'social and economic services' had been as high as 58.4 per cent in 1965-66, when the investment-income ratio in the economy had touched its peak. It subsequently dwindled to 46.7 per cent in 1971-72. The revised estimates for 1972-73 thus show an improvement over 1971-72. The major sectors to register an increase are: other social services (by Rs 144 crores); agriculture (Rs 209 crores); industry (Rs 196 crores) and transport and communications (Rs 144 crores). Of these, the increase under the first head is due entirely to the crash programme for rural employment and the educated unemployed. In agriculture, the crash rabi production programme is responsible for the larger expenditure. In industry the larger disbursement were partly by way of subscription to the share capital of public sector corporations to manage recently nationalised industries such as the general insurance corporation and Bharat Coking Coal. In other words, a part of the apparent increase in expenditure on 'social and economic services' in 1972-73 will not have a commensurate impact in terms of building up the production potential of the economy.

Expenditure on 'social and economic services' is budgeted to remain almost stagnant at Rs 4,056 crores in 1973-74, even though there is an increase of over Rs 500 crores in anticipated tax receipts and other income. On paper, this is partly attributable to the lower figure of the deficit financing indicated in the Budget — Rs 85 crores against Rs 550 crores in 1972-73 and Rs 460 crores in 1971-72. However, all indications — the impending revision of government employees' salary, larger food subsidies and the crash kharif programme — point to the likelihood of deficit financing rising to a figure as large as in the last two years, but without any corresponding increase in the expenditure on 'social and economic services'.

Looking at it differently, of the total expenditure of Rs 7,840 crores in 1972-73 (revised estimates), Rs 2,718 crores or 34.7 per cent was spent on capital formation (directly by the government, as well as by transfers for capital formation). Here, again, capital formation as a percentage of total central government expenditure had formed 49.9 per cent in the Second Plan and 46.9 per cent in the Third Plan. It would have been higher in the Third Plan period but for the sharp increase in defence expenditure in 1963-64. Subsequently, capital formation has consistently declined to as low as 32.2 per cent in 1971-72, even though in the intervening period the economic situation was considered relatively satisfactory.

Within the capital formation expenditure, direct expenditure by the Central government amounted to Rs 749 crores in 1972-73, i.e. only 9.6 per cent of the government's total expenditure. This is expected to go up by about Rs 152 crores in 1973-74, of which Rs. 150 crores would be on account of advance action on the Fifth Plan. On the other hand, gross financial assistance for capital formation is expected to stagnate at Rs 1,986 crores in 1973-74, as against Rs 1,969 crores in 1972-73.

The suggestion that increase in defence expenditure is responsible for the decline in the proportion of expenditure on development is not borne out by facts. Defence expenditure as a percentage of total expenditure had reached the peak ratio of 25.4 per cent in 1963-64 and had continued at 22-23 per cent till 1965-66. Yet expenditure on capital formation was kept high in those years. Thereafter defence expenditure never went beyond 22.8 per cent and in fact in 1972-73 it declined to only a little over 20 per cent at which level it is expected to remain in 1973-74 too. In other words, while larger and larger resources have been mobilised by the government in the name of defence and development, both have received declining proportions of the government's total expenditure. It may be suggested that rising debt services are responsible for a smaller proportion of funds being available for defence and development. This too is not true; in respect of the Central budget, at least three-quarters of interest payments are offset by interest receipts. Over the years, interest receipts have in fact grown faster than interest payments. In 1972-73, for instance, interest receipts amounted to

Rs 720 crores, while interest payments aggregated Rs 768 crores. Even wages and salaries of central government employees formed only 13.4 per cent of the total expenditure in 1972-73, which was the proportion in 1964-65 and 1965-66 (though there have been fluctuations in the intervening years).

If lower proportions of total government expenditures are being spent on capital formation, defence, wages and salaries and debt services, where do the funds go? They go so in the form of larger and larger transfers to state governments for purposes other than capital formation. In 1965-66, such transfers amounted to only Rs 472 crores or 12 per cent of total expenditure. According to the revised estimates for 1972-73, these amounted to Rs 1,433 crores or 8 per cent of the Central government's total expenditure.

The overall picture that emerges is one of fiscal mismanagement, almost continuously since 1965-66. In that year the domestic saving and investment rates had reached the peak levels of 11.1 per cent and 14 per cent of national income, respectively. This was made possible by a sharp improvement in public sector savings and investment. Public sector savings in 1965-66 were 2.4 per cent of national income. In 1971-72 they were 1.5 per cent. The net savings of the Central government, estimated in the Economic Classification of the Budget at Rs 458 crores for 1972-73 (revised estimates), are only marginally higher than the level of Rs 426 crores achieved in 1965-66. Needless to say, as a proportion of national income, the decline is very sharp.

Likewise, public sector investment has hardly risen since 1965-66, even at current prices. Expenditure on capital formation had reached a level of Rs 1,805 crores in 1965-66. For the next five years, upto 1970-71, such expenditure in absolute terms and at current prices remained below that level despite an increase of 40 per cent in the government's total expenditure during the period. In 1970-71 expenditure on capital formation was Rs 1,805 crores. The increase of about Rs 914 crores in gross capital formation of the central government in the two years 1971-72 and 1972-73, formed hardly 37 per cent of the increase in the government's total expenditure. It does not even equal net credit to the Central government from the Reserve Bank

(i.e. central financing) which amounted to Rs 1,178 crores in these two years. Besides, the increase of Rs 914 crores in capital expenditure does not offset the rise of nearly 50 per cent in the cost of investment during the period 1965-66 to 1972-73. In other words, the government's capital formation expenditure is losing the struggle to even stay where it is in real terms.

Poona Riots

Can Government Complain?

A Correspondent writes:

IT may or may not have been a coincidence that communal riots broke out in Poona on May 16, the day of the Poona and Maharashtra bandhs organised by the Left parties in protest against the food shortage, the spiralling prices, and the mismanagement of the drought relief works. Very likely it was not a coincidence. Yet the two events have to be seen separately — something which reports in the newspapers have, almost without exception, failed to do — if only to appreciate better such connection as there may be between the two.

Leftist political forces had been preparing for the Poona and Maharashtra bandhs for many days. The CPI, the Socialist Party and the Lal Nishan Party had, at an all-party conference, formed the Dhanya Kapat Virodhi Kamgar Sangharsh Committee (Workers' Action Committee against Reduction in Food-grain Quota) in which the Jan Sangh had joined as well. On May 16, workers from factories, middle-class bank and insurance employees, and state transport workers took out a massive procession to the Poona Collector's office to present a memorandum protesting against the phenomenal rise in prices and drawing attention to the plight of the 5 million workers employed in the famine relief projects and demanding 12 kg of foodgrains per head per month. The Poona workers' strike was successful and peaceful.

The bandh was a success also in many other places in Maharashtra. Vehicular traffic on the Poona-Ahmednagar road, the Poona-Sholapur road and the Poona-Pandharpur road came to a complete halt for a few hours on May 16. More than 15,000 people from the nearby villages demonstrated in front of the Tehsil office at Saswad in Poona district and presented a memorandum to the

tehsildar demanding that the rise in prices of essential commodities be curbed and that the foodgrain quota be raised to 12 kg per head per month. Similar events took place in other places such as Ahmednagar, Rehuri and Kopergaon.

But, in Poona, even as leaders like S M Joshi and Baba Adhav of the Socialist Party and A D Bhosle of the Lal Nishan Party were addressing a largely-attended meeting of workers, far away from the place of the meeting, in Nana Peth, stones were thrown on the Chand Tara Masjid and a few shops belonging to Muslims were set fire to. Within minutes, large parts of Poona city were engulfed in communal violence. There can be no two opinions about the seriousness of the riots. Quite apart from the published casualty figures of 5 killed and over 330 injured — which may be taken to represent, as usual, a substantial undercount — the Police Commissioner of Poona had to ask the army to be kept on a stand-by alert, and the Central Home Minister and the Maharashtra Chief Minister rushed to Poona the next day. An aggressive section of the majority community had apparently made careful preparations to spark off the riots. Last month, on April 22, unsuccessful attempts had been made to provoke violence by throwing acid bulbs on a Muslim procession. On the same day, local Shiv Sainiks took out a procession to assert the 'sacred right' of citizens to play music on public roads, irrespective of the location of masjids. This provocation too failed. But, as the events of May 16 showed, the communal trouble-mongers were not to be denied for long.

And they have at least one major factor in their favour at the present juncture. The successive food riots in Nagpur, Nasik and other parts of the state, the Bombay bandh on May 15 and the one to follow on May 25, the Poona and Maharashtra bandhs on May 16 as well as its own intelligence reports, appear to have convinced the government about the existence of simmering mass discontent capable of being organised with even a minimum of effort on the part of the opposition parties. In this situation, what could be better than communal riots to divert the people's attention from their economic plight and frustrations. In this may lie the connection — to be sure, a connection of a very different type from that suggested by newspaper reports — between the Poona and

Maharashtra bandhs and the communal riots in Poona.

It is customary for official spokesmen to make soothing noises after every communal riot — whatever may have been the government's lapses of omission and commission in the actual handling of the riot. In this case, however, the pronouncements of the Central Home Minister, Uma Shankar Dikshit, in Poona on May 17 have struck a very different note. Communal riots take place because "people lose their heads" at "minor provocations here and there". And according to a news agency report Dikshit further said that a major reason for such riots was the prejudices and restless minds of backward and minority community members, adding that a particular community had been under a peculiar tension which had made its members restless after the 1971 war.

It was quite unnecessary for the Central Home Minister to have gone any further and identified which particular community he had in mind. That task can be left to forces such as those behind the Poona riots. And in the process, if the discontent among the people over their economic condition gets pushed into the background, can the government really complain?

Indo-Bangladesh Trade

A More Realistic Basis

THE one-year limited trade and payments treaty between India and Bangladesh, which was extended by three months, will expire at the end of June. Officials of both countries have already initiated a dialogue in the hope of arriving at an acceptable package deal

which would form the substantive part of the next trade agreement which has to be signed before the present treaty expires so as to avoid any disruptions in trade between the two countries.

The current trade treaty has had a chequered career over the last 14 months and caused much uneasiness in both trading partners. Particularly, the provisions relating to border trade in particular — which were intended to facilitate the exchange of perishable commodities and of articles of daily use — often brought forth allegations against India. Under the border trade provisions, persons residing upto 16 km of the border were issued permits which allowed them to carry across the border goods of personal consumption in specified quantities as well as money of upto Rs 100 once a day. However, due to the unsettled nature of the population as well as the difficulties of administration in Bangladesh, border trade in fact led to large flows of some essential commodities, such as fish, from Bangladesh into India lured by higher prices. Border trade was suspended in October 1972 on Bangladesh's initiative.

While the current trade agreement had envisaged balanced trade worth Rs 25 crores each way during April 1972 to March 1973, the actual trade is expected to be much below this level. Even with the extension of the period of agreement by three months, India's exports to Bangladesh are estimated to be around Rs 18.5 crores and imports at Rs 14 crores. The major shortfall in Bangladesh's exports to India is in fish; as against Rs 9 crores indicated in the agreement, Bangladesh could sell to India fish valued at only Rs 1 crore. Exports of semi-tanned hides and handloom products to India did not take place on account of their relatively

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higher prices in Bangladesh. To make up for this shortfall, Bangladesh has agreed to step up sales of raw jute, from the committed figure of Rs 7.5 crores to Rs 10 crores.

On the other hand, though it may appear that India's exports to Bangladesh are below the targeted figure, there have been massive movement of aid-financed goods from India to Bangladesh. The official figures about foreign assistance indicate that, during the fiscal year 1972-73 alone, Bangladesh received Rs 1499 crores of aid from India. In view of the large Indian assistance to Bangladesh by way of supplies of essential commodities, the size of India's commercial exports to Bangladesh does not correctly indicate the size of the total flow of Indian goods and services to that country.

Bangladesh would have to give serious thought now to the type of trade agreement it wants to have with India. It is reported to be in favour of continuing the present rupee trade agreement. This has obvious advantages for Bangladesh so long as it continues to have a debit trade balance. By the same logic, India appears to be in favour of shifting to a different pattern of trade so that net balances are settled in some hard currency, such as sterling or dollar. True, the movement of goods from Bangladesh to India has been slow and faltering; while exports to India would earn rupees that could be used for purchases only in India, exports to other countries earn free foreign exchange that could be utilised for purchasing from the most favoured sources. Nevertheless, the not-so-comfortable foreign exchange reserves of Bangladesh make imports from India attractive.

Economic relations between the two countries would henceforth be on a more realistic basis as the amount of loans or grants that India can give Bangladesh will be small. Both countries may be able to avoid misunderstandings by carrying on trade under the next trade agreement in hard currency, though this may result in a lower volume of trade between the two countries. At the same time, the reported Indian initiative to revive border trade, though in a limited way, by licensing people to cross the border for the weekly markets appears to be ill-advised. Border trade has been suspended since October 1972 at the insistence of Bangladesh and it is best to leave its revival to Bangladesh.

Government and Big Farmers

Accent on Incentives

A COMMITTEE of the Planning Commission has not only recommended the imposition of a betterment levy, more or less on a uniform basis, all over the country, but has further suggested that the levy be collected in the form of a surrender of excess land. This, the Committee felt, would simultaneously serve two purposes: the government would have additional revenue, and land reforms would move ahead.

In the world of reality, no such thing is likely to happen. The aggregate yield from betterment levies, taking all the states together, is currently less than Rs 1 crore per annum. Overall public outlay since Independence toward provision of irrigation facilities, bunding, road building, land reclamation and so on, in contrast, certainly exceeds Rs 5,000 crores. What is however to be done? Now that the Green Revolution, even on official reckoning, has encountered some little local difficulties, the emphasis once more is on raising production and productivity in agriculture. Any loose talk of relatively stiff imposts on the big farmers through betterment levies and similar devices will therefore be considered very inappropriate.

In his budget speech, the Finance Minister paid homage to one of the common places of the Raj Committee's recommendations, but its principal recommendation regarding an agricultural holdings tax is gathering the expected moss. If pressed hard, New Delhi would say that the Committee's proposal has been sent out to the state governments for eliciting their reaction; after all, it is the states which have to implement the recommendations. It is not difficult to anticipate what the reaction is going to be. The same factors which prevent New Delhi from insisting upon a compulsory procurement levy would also inhibit it from goading the states to experiment with any substantial fiscal impost upon the affluent farmers.

New Delhi's pragmatic rationale may be as follows. You should mount your attack on one front at a time. You can afford to alienate the wholesale traders because their number is not large, and in any case their political predilections have been generally with certain opposi-

tion parties, particularly the Jan Sangh in the north. On the other hand, the surplus farmers, that is, those who have benefited from the new irrigation system and public works and would be harmed by a strict enforcement of land reforms, are numerous; politically, they continue to carry a lot of punch. As a party thriving on the spoils system, the Congress can hardly be expected to alienate the big producers at this juncture. In view of the difficult position in the world grain market, the party has to fall back on the surplus farmers in the northern parts of the country for obtaining the wheat necessary for running the public distribution system.

That should not, however, prevent the Congress from walking up and down simultaneously on both sides of the same street. It can keep pontificating on the need for time-bound land reforms, for speedy reconstruction of land records, for betterment levies and steep irrigation rates. It would not, however, disturb excessively the existing production and tenurial relations in agriculture. Lest incentives are affected, proposals such as for an agricultural holdings tax and the enforcement of betterment levies would be locked away. The onus for the slow pace of land reforms would be shifted on the tardiness of the records of rights. And has not the Minister of State for Planning already supplied the information that in at least five states, Andhra Pradesh included, there is no surplus land to be distributed. Most of the other states are likely to stumble on a similar finding.

Should one expect anything different: is it at all fortuitous that the person who heads the *kisan* cell of the AICC is one of the leading gentlemen-farmers in Haryana, and has been consistently against all radical proposals emanating from the Planning Commission and the Agricultural Prices Commission? He certainly knows which side his bread is buttered. There is no reason to doubt that the Congress party does not either.

Because of a go-slow at the States' People Press, we regret that this issue is smaller than usual and its publication has been delayed.

—Ed

Petroleum

Up the Garden Path

IF incantation were enough to exorcise the influence of the foreign oil companies from the country, the task would have been achieved long ago. There is no count of the number of times successive Petroleum Ministers have affirmed and reaffirmed the government's intentions towards these companies. On March 30 D K Barooah was telling Parliament that the government was committed to bringing the entire production, refining and distribution of petroleum under the public sector. Six weeks later, on May 7, he was once again assuring Parliament that it was the government's policy that the commanding heights of the country's oil economy should be controlled by the state.

But even as these incantations have been repeated over and over, the actual circumstances of the country's petroleum industry have changed in favour of the foreign oil companies. Three major developments have contributed to this. First, the output of petroleum products, which was just enough to meet requirements around 1970, has been steadily falling behind demand. The gap, which has to be filled by imports, now stands at about 3 mn tonnes and will widen to 8 mn tonnes in the next two years. The government has failed either to formulate a rational fuel policy which would have kept down the demand for petroleum products or plan for a rapid enough expansion of refining capacity. Second, thanks to the virtual collapse of the ONGC and the suspension of exploration activity, the production of crude oil has stagnated at around 8 mn tonnes and may well decline to 4 mn tonnes in the next few years. Given the order of expansion of refining capacity called for to meet the demand for petroleum products, this points to a state of almost total dependence on imported crude oil. Third, as a result of the series of collective and individual agreements between the oil producing countries and the international oil companies, the prices of crude oil, and correspondingly those of oil products, have gone up steeply in the last two years. For instance, the price of light Iranian oil imported into this country has gone up from about \$1.28 per barrel in 1970 to \$2.25 per barrel at present.

The first of these three developments

has made nonsense of the government's policy of not allowing the foreign oil companies to fully use the capacities of their refineries on the ground that partly these capacities had been clandestinely installed. Faced with the alternative of importing oil products, it does not make sense to be too finicky about the antecedents of such refining capacity as there is in the country. Indeed, the medium-term prospect is of the oil companies being allowed to further expand their refining capacity, the government's public fulminations against them notwithstanding. The second development has already forced the government to reverse its policy with regard to offshore oil exploration and throw open the field to foreign companies on terms which would, among other things, give these companies the right to a share in the oil that is discovered and produced. Given the links among the international oil companies, only the

very naive will believe the government when it claims to be putting the screws on the oil companies already operating in this country even as it tries to cajole affiliates of these same companies to come to its rescue by finding oil offshore. The significance of the last of the three developments lies in the fact that it has vastly increased the cost to the government — in terms of the foreign exchange expenditure on imports of crude oil and oil products — of not allowing a larger role to the international oil companies in exploration, production and refining of oil in the country. This should be absolutely clear to the government. And so when the petroleum Minister declares that the government is committed to bringing the entire production, refining and distribution of petroleum under the public sector, he is, to put it simply, deliberately leading the country up the garden path.

Calcutta Diary

A M

THESE are cynical times, and the dividing line between sentimentality and ridiculousness can be altogether thin. This piece, nonetheless, is dedicated to slushy emotions. Toss it away if it nauseates you.

Mrinal Sen's *Calcutta '71* has a claustrophobic last scene, claustrophobic because it cuts across notions about what may or may not happen in our ordinary world of reality. Certain unnamed goose-stepping gunners shoot down a starry-eyed, defenceless young man against the vast expanse of a misty early morning in the Calcutta *maidan*. No bird chirps, the young man dies a writhing death, the sound of the shots is no doubt drowned in the seeming indifference of the heartless city. It does not matter though. About everybody knows the identity of the young man, and of the goose-stepping gunners. Everybody knows, but few will talk. You ask no questions, and you will be told no lies. Mrinal Sen has his difficulties. He has to have a cover, he must keep on making the kind of films he wants to make. An open accusation hurled at the police would not possibly have passed the Central Board of Censors; his sources of funds too would have dried up. The killers therefore remained unnamed.

But the film was hardly a parable, that particular episode hardly an allegory. You talk in private with senior men belonging to the administration: from the second quarter of 1970 onwards, they will admit, the police were given summary powers to hunt down and kill 'undesirable' elements. Dead men generally carry no tales, and the evidence of such killings is claimed by oblivion. The social and political philosophy of those in power determines the contours of 'undesirability'. Once these were spelled out, the police had the *laissez passer* to go to town, really and truly, on a murder binge. No need to conform any more to the droll literalness of 'self-defence'; no need for the irritant of a proper search warrant and of regular witnesses as was the wont during the days of the British; young people, once they have been defined as undesirable, could now be swiftly despatched to their deaths. (Those who agreed to join the ruling party of course got a reprieve; that, including the new phenomenon of the police and prison authorities donning the role of recruiting agents for a particular political organisation, constitutes a different, though related, story.)

The other week in Rajya Sabha, a member was heard to wail: even though dubbed a terrorist, he had no

fear during the British regime of being shot down in the street in a sudden action to be subsequently described by the police as an 'encounter', as has been the fate of a nephew of his in this city. A minister was quick to answer the member. Fighting the British, was he explained, quite all right, all of us were then together; now that the house is ours, it is however different; we have to do 'something' even if it be our own nephews and nieces who try to destroy it from within. The 'something', obviously, is what the minister considers to be a polite euphemism for point-blank killing, under the open sky, of unarmed, defenceless young men and women. The British might have cavilled at this 'something', but not us. When we are dealing with our own nephews and nieces, the rule of law is dispensable.

A rich farmer, whose cost of raising a quintal of wheat is Rs 40 but who sells it to the retailer at Rs 100, most assuredly does not destroy the house from within; he only realises a profit. A wholesale trader, who finances the farmers to the hilt so that they would keep back the grains on his behalf till the price sky-rockets, does not destroy the house either; he is merely misbehaving, for which he is appropriately admonished, and maybe he can expiate his sin by contributing to this or that political fund. In case the borrower happens to be a filthily rich specimen with whom he boozes in the evenings, a chairman of a nationalised bank, may purposely charge a lower rate of interest, relax the requirements for margin and forget to insist on collateral; there is no question of punishing him; he, it is to be assumed, is not destroying the house, but helping to strengthen its superstructure. An industrialist, who deducts the employees' contribution to the provident fund from the wage bill of the workers but fails to deposit it at the right quarters, is guilty of unfortunate behaviour, but the government will be aghast at the suggestion that he be shot without trial; he may be at most legally proceeded against. The import-export tycoon, who has expanded his black money operations through systematically under-invoicing exports and over-invoicing imports, is, come to think of it, something of a laik; kindly arrange, if you can, a party ticket for him at the next biennial elections to the Rajya Sabha. The senior civil

servant, who diverts to the black market relief material intended for refugees or arranges to give away scarce fertilisers or steel to the shady ones, who grease his palm the most and thereby vitiates national priorities, may perhaps be warned or transferred to another job, but, since he is not a petty clerk swearing by some Marxist group or other, you cannot even invoke Section (2) of Article 311 of the Constitution to remove him; he is not a security risk. The merchant, who adulterates the cooking medium with a poisonous substance or adds stone chips to the rice, will, even if caught, be permitted to behave himself from now on; he is not one who, by any stretch of imagination, can be described as a saboteur of our system; he is not for burning. Take the politician who has used his ministerial tenure to pile up a couple of crores of rupees by disbursing licences and such like, or the chief minister who lays out a guest house in New Delhi entirely at the expense of the state so that his wife, who happens to be a Member of Parliament, need not face any problem of accommodation in the capital; neither of them deserves to be stigmatised; they are following the norms. If a landlord wantonly kills a score of Harijan women and children before breakfast, let the creaky wheel of justice in due course take care of that; no reason at all to get worked up over such trifles. If a share-cropper is driven out of his field by the landlord's men and his family is reduced to starvation, take it easy; the social revolution we are striving for — one can have a direct quote from the Prime Minister here — cannot be ushered in in a day. Minority groups will suddenly be set upon, their houses razed to the ground, their properties looted; a few perfunctory arrests will take place, bail will follow, and there will be no occasion to demand any stiffer action against the criminals; of course they are not to be shot. Tycoons may conceal income and evade tax and keep cocking a snook at the government machinery; no special measures will be recommended to bring them to book — they do not destroy the house from within; they will not be shot. Cheats, cut-throats, profiteers, speculators, embezzlers and worse rascals, none threatens the house from within: the rack-renter does not, the land grabber does not, the stealer of public funds does not. For each crook

or ragamuffin, there is the due protection of the law, the due process of the law; thievery and nepotism and robbing the poor do not harm the entrenched ones, they do not destroy the house which the authorities are jealously mounting guard over; they are, almost, honourable professions.

It is a question of values. The operator in the black-market does not challenge the system; the crime he commits does not, in the short run, affect the life and living of those who constitute the authority; given appropriate arrangements, the latter may even come to share the profiteer's loot. Till as long as you pay the appropriate obeisance to the social foundations of the polity, you can get away with murder, or, which is the same thing, were you to commit a murder, the country's Constitution will lovingly protect you against executive excesses. The protection will be withdrawn the moment you begin to indulge in dangerous thoughts in the manner of Mrinal Sen's young man. It would be futile to try to sell the thesis to the authorities that such dangerous thoughts represent the purest species of patriotism. Given a certain hinterland of objective circumstances, sensitive young men and women will, despite the Defence of India Rules, the MISA and the Ministry of Home Affairs, continue to dream wild dreams, and to think grotesque thoughts. The central issue in patriotism, one would have thought, is the courage and the will to give up the lure of comfortable existence for the sake of an ideal. This is at least how the concept was defined, even along these shores, prior to 1947.

Barring the dangerous young men and women, try to name even one set of people in the country who practise the self-abnegation which politicians preach from time to time. It is the cult of the self all over, beginning with the minister-politician down to the road engineer's overseer. Such is the moral code we have succeeded in evolving over the years that if you are young, you are welcome to turn into a heroin-addict or a bum or a knife-wielder; but whatever else you decide to be, you must not turn to dreaming extravagant dreams, such as of transforming the society through a revolution, in case the colour of the revolution is other than green.

This measures the magnitude of the

contemporary Indian tragedy. All that lives must die. None in India are more intensely alive than the young men and women who are prepared to sacrifice — and in many cases, have sacrificed — their all so that a new society could emerge. They therefore must die, shot like dogs under the canopy of the open sky in concocted encounters with the police. Those among them who somehow escape death will be locked away, if not under the MISA, under a wild assortment of charges bearing the overwhelming hue of after-thought.

CAPITAL VIEW

Our 'Watergates'

Romesh Thapar

EVEN as the Watergate story engulfs political life in the US and makes the future of Richard Nixon highly uncertain, the politician in other lands has been busy convincing himself that he is an angel compared to the US President's once-trusted lieutenants. This is quite an exercise in self-deception, and it goes without saying that Delhi is ahead in this particular game. How many times over the past week have I heard some one or the other say that our chaps are not nearly as bad. What a testimonial, even if it were true.

The temptation to talk about 'our Watergates' is strong. After all, the massive collection of political funds, from every businessman-industrialist who had something to process through the labyrinth that is government today, set the base of corruption in public life several years ago. A number of ministers, who still enjoy the confidence of Parliament, are continuously talked of as the foster-fathers of the system which has given the ruling party more money than it can use. A few have fallen by the wayside because they were greedy and pulled too much out of the kitty for themselves.

We haven't started the large-scale forging of election campaign materials to damage opponents or yet used a variety of Home Ministers to 'bug' and 'plague' persons we do not like. These elements of the Watergate revelations, as practised by the ruling elite, have startled millions all over the world who have a democratic conscience; this

What is the number of nephews and nieces languishing behind the bars in this great liberal democracy of ours? Thirty thousand, forty thousand, fifty thousand? How many have been summarily shot, in prison or outside, so as to ensure that the house is not destroyed from within? Why bother about them; they dreamed, they do not deserve any better. While the young ones are despatched to their fate, many of the unscrupulous ones, come January 26 and August 15, will be honoured by the state. These may be rogues and scoundrels, but they enrich the system.

qualification is required, as the Soviet and Chinese Press has not printed a sentence on the subject, and probably that goes for all those who have made forging, bugging, and plaguing a way of political living. But the Watergate business, like films on sex and violence, will spawn operators devoted precisely to what is supposed to be condemned. We should get our share of this fall-out in the next general elections.

Gangsters are now very much a part of political organisations in India. Every party trades on them. The evidence? Whenever there is a clash between rival political groups, the much-maligned police have to begin a round-up of 'badmashes' and 'goondas'. The question naturally forms: Why aren't these elements kept under lock-up or close discipline in the normal course? Ask the police chiefs, and they will tell you that every 'gang leader' has a patron in the political hierarchy.

A cursory look at the scene in Calcutta will convince. There is much indignant talk about the atrocities of the police, but even as the political radicals give vent to their anger they accept 'police protection' by never referring to it. Almost every prominent politician of Right and Left is 'protected' from one or the other gang. What a cosy life! And yet, a day may dawn when one kind of gang establishes its hegemony, and the 'protection' is withdrawn.

These are the ugly facts of our politi-

cal life which are glossed over. Watching the Delhi scene, one often wonders at the cost of providing outriders and gunmen for a whole variety of nondescript ministers and factotums. The system of 'protection' reaches a level of absurdity when these personalities arrive at the local golf course accompanied by outriders and gunmen — and proceed to play fully protected! They seem to have lost the capacity of moving around like ordinary citizens.

The situation has strange dimensions. The more the police force is compelled to protect a decadent ruling class, the less its capability to cope with the thugs and gangsters operating against the people. The sharp rise in crime is directly attributable to the extraordinary protection we provide the politician and his populist activities — violent strikes, demonstrations, gherrillas, clashes and the like. This anarchic mess which parades itself as a possible alternative to the existing government is sought to be preserved in its pristine state; but the cost is heavy.

It is possible to see the Opposition moving to study the techniques adopted by Nixon's dedicated staff for use against the power and patronage of Indira Gandhi. We have been in the midst of a scandal-a-day situation for some time. How these stories affect popular thinking is difficult to assess. Presumably, there is a point at which anything begins to be believed. Nixon has reached this point. Indira Gandhi has to see to it that she is not brought to a similar predicament by a slow process of attrition.

We keep wondering when the axe will begin to fall on those who have made the Congress Party a convenient screen for all manner of 'deals'. What is sought are not the purges of the committed and uncommitted as advocated by Planning Minister Dhar; for these are meaningless labels used very often by sophisticated charlatans. What is sought is action against a wide spectrum of corruption. Only then will the committed emerge to salvage the party of Gandhi and Nehru.

For the moment, to mix images, there is not a flicker of a stirring. Yes, the Congress monolith snoozes, even though the grain is being openly hoarded and power generation is folding up because maintenance is lacking...

And soon Parliament will be on holiday.

May 14

Dividend Maintained on Profit Decline and Diversification

Hansavivek

ELPRO INTERNATIONAL has commenced regular production of cobalt-60 teletherapy equipment, which it is the first to have developed indigenously. With orders for more units in hand, including three for export, this will constitute an important addition to the company's medical systems line. Other medical systems products, introduced last year, were a fluoroscopic and radiographic unit, a 20 MA x-ray generator, and an x-ray diagnostic table. Meanwhile, the new 198 KV lightning arrester has met with good response. But the company's results last year were affected by the "depressed economic environment following the Indo-Pakistan war" and the poor monsoon. Alnico magnets for household meters and x-ray products

were the hardest hit. Sales to government, which normally account for about half of annual turnover in these lines, was greatly reduced. Lightning arresters are entirely taken up by the State Electricity Boards. Lack of funds with SEBs, drought conditions, and a slow-down on rural electrification, very much reduced sales. Power shortage throughout the country has in fact had a very unfavourable impact on electrical products. Moreover, the growth of the radio market, to which the speaker magnet sales are tied, also slowed down from previous years.

With a sharp drop in sales, margins shrank and profit was sharply down. One-fifth of the maintained dividend of 12 per cent is short-earned. The cur-

rent year holds out promise of improved performance. The household meter business is showing signs of picking up. This should help the company's meter business. Government spending on social services is also resuming, and an increase in orders for x-ray equipment has been noticed. The Income-tax Department has made an application to the Income-tax Appellate Tribunal to make a reference application to the High Court in respect of its order allowing capitalisation of certain expenses. The tax liability in question is about Rs 6 lakhs.

SCHRADER-SCOVILL DUNCAN, which completed only 12 years of its existence last October, has accumulated reserves of Rs 57 lakhs against a share capital of Rs 46 lakhs. Besides, nearly one-fourth of the share capital comprises gift shares issued by capitalisation of reserves. The company is operating with entirely its own funds and has not borrowed any money. On the

other hand, as at the year-end it had put about Rs 37 lakhs in fixed deposits and earned Rs 3 lakhs by way of interest. During 1971-72, the company experienced a slight contraction of margins despite higher sales. On account of increased tax liability, net profit was actually lower than the previous year's. But the dividend, maintained at 25 per cent, still enjoyed a good cover. The current year's prospects, however, do not look bright, since production at the plant came to a standstill from February 9 last, following a 'walk-out' by workers, over their demand for increased wages. Efforts at arriving at a settlement through the conciliation machinery continue, but the management contends that the revised terms offered to workers compare 'favourably' with the rates of wages in comparable industries. Loss of production apart, additional levies imposed in the last budget, and substantial increase in copper and zinc prices in the international market, will push up cost of raw materials, considerably. Various avenues for diversification of the company's activities within the framework of the government restrictions are being explored by the management.

INDIAN VEGETABLE PRODUCTS' latest accounts are for 12 months and are therefore not strictly comparable with those of the preceding year, which covered a period of 15 months. But the former show a substantial improvement over the latter. Although net sales dropped by about 27 per cent to Rs 498 lakhs, gross profit advanced by 50 per cent to Rs 27 lakhs. This was mainly due to increased contribution from the chemicals division. Production of vanaspati continued to be "uneconomical". Government gave effect to some of the recommendations of the Tariff Commission in August 1972, but it is stated that, with increases in processing charges, etc, that had taken place in the meantime, the revised price formula was already out of date. Ratios of inventories/sales and wages/sales showed significant increases over the year. With a higher ratio of net profit/capital employed, dividend maintained at 17 per cent found better cover than in the previous year. The board has also proposed to issue bonus shares on a two-for-five basis.

VOLTAS proposes to diversify its activities and to share with other companies within as well as outside the country

the experience and knowhow acquired over the years. To enable the company to provide technical and managerial assistance to other concerns and to enter into joint projects, the object clause of the memorandum of association is proposed to be modified, subject to confirmation by the court. The company has been active in the agro-industrial sector and now intends to participate more extensively in this field by adding to its existing operations in the tractor, pump, sprinkler irrigation and allied fields, such activities as the manufacture and sale of pesticides, fertilisers, agricultural chemicals, etc, and by undertaking the running of experimental farms, soil-testing and similar activities. It is also proposed that the company's electrical division be expanded with a view to conducting the business of research in the field of electronics and to manufacture electronic, electrical and mechanical devices, spare parts, and accessories. The annual general meeting of the company, originally scheduled to be held on February 26, has been postponed to May 28, because of the disruption in the normal working of the company as a result of the continued staff agitation. Meanwhile, the board has declared and paid an interim dividend of Rs 17 per share for the year ended August last in place of the payment recommended for shareholders' approval at the annual meeting. The directors say that continuous demonstrations and work-to-rule at the — Thana works reduced the value of output in the six months ended February last to Rs 363 lakhs at works transfer prices, as against Rs 548 lakhs in the corresponding period last year and the budgeted level of Rs 661 lakhs. During the first four weeks of March last, the value of output was approximately one-fifth of the value during the same period in the preceding year. It is also stated that, on March 28, five officers of the company were 'gheraoed' for 4 hours and 'rescued only with the assistance of the police. Operations at the Thana works had to be discontinued following this instance of 'forcible restraint'. According to the management, the principal issue preventing a return to normalcy is the insistence of the employees' federation, that the use of electronic data-processing within the company must be 'subject to its control giving them the right to determine when, where and how this necessary management tool should be used'. No

other company in India is subject to such restrictions. The company has given categorical assurances against any adverse effects on employees as a result of the use of EDP. Because of the differences regarding the use and control of EDP, the issue of revision of the dearness allowance scheme in Bombay and other issues which could benefit employees have remained unsettled, it is stated.

VIDARBHA IRON AND STEEL, a new company, is putting up a mini-steel plant at Nagpur by installing a 10/12-tonne arc furnace and a 7-tonne per hour section rolling mill. The molten steel capacity will be 18,000 tonnes per annum on a three-shift basis, and the rolling mill will be capable of producing structurals and rods of mild steel, medium carbon steel, and constructional low alloy steels. The factory is expected to go into production in January next. The main raw material is scrap, which is adequately available in the nearby region. The total capital outlay, estimated at Rs 120 lakhs, will be financed by share capital (Rs 50 lakhs) and long-term loans from SICOM and MSFC (Rs 70 lakhs). The public is being offered, under a Prospectus, equity capital of Rs 30 lakhs in shares of Rs 10 each at par. The subscription list will open on June 7 and close on June 18 or earlier, but not earlier than June 12. A sum of Rs 2.50 per share will be payable on application, an equal sum on allotment, and the balance of Rs 5 per share in calls. Jayant S Dalal, chairman, expects the company to earn a gross profit of Rs 37 lakhs on a turnover of Rs 145 lakhs in the first year of production and pay a maiden dividend of 10 per cent out of it. According to him, sales, and profit should gradually rise to around Rs 170 lakhs and Rs 43 lakhs, respectively, in the fifth year of production. On this basis, dividend could be stepped up to 12 per cent in the second year, 15 per cent in the third, 18 per cent in the fourth, and 20 per cent on the fifth. The substantial loans from the state financial institutions apart, the company will be entitled to certain other incentives, such as refund of sales-tax on raw materials and finished goods and exemption from octroi duty, since the plant is located in a 'developing area'.

The Week's Companies

	(Rs in Lakhs)					
	Elpro International		S S Duncan		I V P	
	Latest Year 31-12-72	Last Year 31-12-71	Latest Year 31-10-72	Last Year 31-10-71	Latest Year 31-12-72	Last Year* 31-12-71
Paid-up Capital	85	85	46	46	29	29
Reserves	32	33	57	51	38	34
Borrowings	79	116	—	—	82	71
of which Term borrowings	5	10	—	—	—	—
Gross fixed assets	161	153	78	74	84	79
Net fixed assets	77	83	31	31	38	39
Investments	—	—	11	11	—	—
Current liabilities	49	57	65	57	65	46
Current assets	167	209	127	112	176	141
Stocks	122	131	56	43	93	74
Book debts	44	76	24	23	79	64
Net sales	243	326	235	202	498	686
Other income	11	6	8	7	2	1
Raw material costs	143	180	129	105	353	537
Wages	38	36	20	19	33	34
Interest	11	11	1	1	7	10
Gross profit (+)/loss (—)	29	46	67	62	27	18
Depreciation provision	11	11	4	5	5	7
Tax provision	9	19	46	38	13	5
Net profit (+)/loss (—)	9	16	17	19	9	6
Development rebate provision	1	2	—	—	1	1
Transfer to reserves	—2	4	5	7	3	—
Dividend						
Amount	E10	10	E12	12	E5	5
Rate (per cent)	E12	12	E25	25	17	17
Cover (times)	0.80	1.40	1.41	1.58	1.60	1.00
Ratios (per cent)						
Gross profit/sales	11.93	14.11	28.51	30.69	5.42	3.35
Net profit/capital employed	4.59	6.83	16.51	19.59	6.04	3.73
Inventories/sales	50.20	40.18	23.83	21.28	18.67	10.79
Wages/sales	15.63	11.04	8.51	9.40	6.62	4.93

* 15 months.

NEW DELHI

Land Reform Is Dead, Long Live Land Reform!

THE report of the Task Force on Agrarian Relations under the Chairmanship of the Land Reforms Commissioner, P S Appu, is a strikingly candid document. Going through it the only conclusion that can be reached is that genuine and radical land reforms are simply not possible within the established social and political order. Based on the report of the Task Force, guidelines are reported to have been issued to state governments for implementation of the land reforms programme in the Fifth Plan. But if the constraints on implementing the programme so sharply underlined in the report are taken into account, the guidelines completely lose all operational and practical value. To be sure, the programme contained in the guidelines has everything to commend it. But where are the instruments and sanctions to ensure that even a fraction of this programme is carried out? The guidelines completely evade this issue.

It is worth quoting from the report of the Task Force where it outlines the principal reason for the poor progress of land reforms:

"Enactment of progressive measures of land reforms and their efficient implementation call for hard political decisions and effective political support, direction and control. In the context of the socio-economic conditions prevailing in the rural areas of the country, no tangible progress can be expected in the field of land reform in the absence of the requisite political will. The sad truth is that this crucial factor has been wanting. The lack of political will is amply demonstrated by the large gaps between policy and legislation and between law and its implementation. In no sphere of public activity in our country since Independence has the hiatus between precept and practice, between policy pronouncements and actual execution, been as great as in the domain of land reforms. With resolute and unambiguous political will, all other shortcomings and difficulties could have been overcome; in the absence of such will even minor obstacles become formidable road blocks in the path of Indian land reform. Considering the character of the political power structure obtain-

ing in the country it was only natural that the required political will was not forthcoming." Again, says the Task Force in another part of its report:

"In a society in which the entire weight of civil and criminal laws, judicial pronouncements and precedents, administrative tradition and practice is thrown on the side of the existing social order based on the inviolability of private property, an isolated law aimed at the restructuring of property relations in the rural areas has hardly any chance of success."

Having said this, the Task Force need not have taken the trouble of formulating fresh guidelines within the old socio-political framework to go on with the land reforms programme in the next plan period. The exercise must appear a ritual, known to be so in advance and of no political significance. The Task Force indeed been honest and real enough to admit as much. Refer in particular to the slogan of "land to the tiller", it says quite forthrightly that this objective will never be achieved in the prevailing conditions of our society. The Task Force says:

If the slogan "land to the tiller" is to be "meaningful and honourably implemented", land should go to those who cultivate it, namely, those who perform the various operations like ploughing, sowing, trans-

ing, harvesting, etc. Conversely, persons who do not personally participate in these operations should not be allowed to own land. "We are, however, inclined to think that in the context of the social, economic and political conditions prevailing in the country such a law will not be enacted, and if enacted will not be implemented".

The aim, therefore, has to be far more modest — not land to the tiller, but reduction in the "incidence of absentee ownership of land". The definition of personal cultivation contained in our land laws has been a major factor in the systematic and large-scale ejection of tenants. It is now proposed by the Task Force that personal cultivation should require at least some supervision of the land pre-empted for such cultivation either by the owner himself or by a member of his family and should further require that the supervisor should live in the village where the land is situated or in a nearby village.

Going back to the abolition of statutory landlordism in the early fifties, the Task Force report recalls that the abolition of intermediary tenures had resulted in about 20 million tenants coming into direct contact with the state and large areas of privately-owned forest land, grazing land and culturable wasteland being vested in the state. The compensation payable for this was about Rs 600 crores out of which about Rs 275 crores had been actually paid in cash and bonds. Even so, "it is a moot point whether the abolition of intermediary interests conferred any new economic benefits on the tenants". The programmes which could have made some impact on rural life and the agrarian structure are tenancy reform, ceiling on holdings and redistribution of land. None of these programmes has made any headway. In some respects the situation has actually worsened, as may be seen from the large-scale eviction of tenants, the spate of "voluntary surrenders" and the liberal exercise of the right of resumption of land for personal cultivation. While tenancy reform and ceiling on land are known to have failed miserably, the report of the Task Force points out that even consolidation of holdings has worked to strengthen the landowners' position and weaken that of the tenant and the actual cultivator. The report has the following to say about consolidation of holdings:

A major weakness of the programme was that consolidation was done without taking effective steps to ensure security of tenure to tenants, particularly sharecroppers. In the result, consolidation of holdings has led to large-scale ejection of

tenants. For one thing, when holdings were fragmented even a resident landowner found it difficult to cultivate personally all the plots of land constituting his fragmented holding and, therefore, perforce he had to lease out some portions of his holdings to sharecroppers. After the holdings were consolidated, the landowner found it both feasible and profitable to cultivate 'personally' the entire area and he spared no effort to get rid of the sharecroppers. For another, the relationship of sharecropping tenancy subsisted in respect of a specific plot of land easily identified in the field. Once consolidation was effected, the identity of the particular plot that the sharecropper had been cultivating was lost and he could be automatically ousted from the land. "Thus the consolidation of holdings has often turned out to be the *coup de grace* for the sharecroppers".

Having made this frank assessment of the impact of the land reform programme so far, the Task Force proceeds to spell out the programme for the Fifth Plan. The major aims of the programme as spelt out by the Task Force are: plugging of loopholes in the existing tenancy laws, enactment of ceiling laws, and distribution of surplus land. How, so long as the social-political framework remains what it is, these programmes will be less doomed to failure in the future than in the past the Task Force does not say. But it has some interesting suggestions to make on implementation. It proposes that a new administrative set-up, independent of the established revenue and administrative machinery, be created which would devote itself exclusively to implementation of land reforms. It would be invested with the necessary powers to get round legal difficulties and other obstacles.

The question to be asked, however, is how will such an administrative set-up be able to perform without political support, which is the essence of the matter according to the Task Force itself. The existing administrative arrangements have failed mainly because of the political constraints on it. The Task Force itself brings this out forcefully in connection with the failure to prepare the records of rights in land and tenancy and to bring them up-to-date. According to it, the bureaucracy's attitude to implementation of land reform is generally lukewarm and often apathetic. This is inevitable since, like the men who wield political power, those in the higher echelons of the administration also are "substantial" landowners themselves or they have close links with the big landowners. Village functionaries like patwaris, etc., are invariably petty landowners and are also under the sway of the big landowners. The report goes on to

say that even in these few cases where the administrators tried to implement land reforms honestly and efficiently, they were frustrated by the political bosses and were, for instance, "hastily transferred elsewhere". In these circumstances, the idea that a new organisation will do the trick is clearly naive.

Very interesting in this context are the observations of the Task Force about the pressures that might be organised from below to achieve land reforms. According to the report, so far land reforms have been essentially the gift of a benign government and the intended beneficiaries of land reforms, weighed down by crippling social and economic disabilities, have been passive, unorganised and inarticulate. The Task Force says: "In our view a certain degree of politicalisation of the poor peasantry on militant lines is a prerequisite for any successful legislative-administrative action for conferring rights and privileges on them." But how is the poor peasantry to be politicised on militant lines and who is to attempt the task, are left unanswered.

A serious weakness of the Task Force's otherwise very interesting report is that it has failed to take into account the trend of agrarian policy since the launching of the new agricultural strategy in the mid-sixties. It makes only a passing reference to the large public investments in agriculture and in the rural areas after Independence and to the fact that the benefits of this investment have gone mainly to the well-to-do farmer so that the disparities in wealth and incomes in the rural areas have widened further. The Task Force does note the "unplanned spread of mechanisation" which will not only accentuate the inequalities but also reduce employment opportunities. But these references to "the impact of public investments and modern technology on the agrarian structure" appear to have had no influence on the reports recommendations about the pattern of agrarian change or reform which are put forward in the usual conventional framework.

Indeed, this is the basic contradiction in the political leadership's entire approach to rural and land problems. Thus, the recent meeting of the Congress Working Committee, for instance, in the same resolution called for imposition of ceilings on land holdings and distribution of the surplus land on the one hand, and for a massive effort to support farmers to expand marketable surpluses on the other. It can be safely said that the first task is to be treated

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as a ritual to be proclaimed to sustain the radical pretensions of the Congress; it is the second task which is to be seriously carried out. Land reform in favour of the tenant and the sharecrop-

per simply does not square with the new agricultural strategy — and the leadership knows it. And between the two, it is the new agricultural strategy that will prevail.

difficult to evolve a mutually acceptable manner of revalidating the extension of those Central laws and institutions, the usefulness of which for the people of the state is accepted. In this category would fall the extension of full or limited jurisdiction of institutions such as the Supreme Court, the Auditor General and the Election Commission to the state. But that seems to be the limit as far as Abdullah is concerned.

The Government of India could also afford to be a little flexible. It might find it difficult to withdraw the application of, say, Articles 356 and 357 of the Indian Constitution to the state, empowering Parliament to declare emergency, or the provisions regarding the status of the head of the state, who is now nominated by the Centre instead of being elected by the state legislature as was done during Abdullah's tenure of power. But there are areas where efforts could still be made.

The basic fact is that failure completely to bridge the gap, between the positions of the dissident Kashmiri leaders and the Government of India need not lead to relapse to the old situation. Whatever might happen to the Beg-Parthasarathy talks, it is important to take steps for the consolidation of the momentous improvements that have already taken place

in the politics of the state and to avoid possible pitfalls in taking the process further.

The basic question thus remains of restoration of trust. There might, for instance, be less resistance to the enlargement of Kashmir's autonomy if Kashmiri leaders are able to inspire confidence in the rest of the nation that the national interests would be safe in their hands. Likewise, a lesser degree of autonomy might satisfy the people of Kashmir if they are convinced that Kashmiri interests are safe within India. In order to promote such mutual confidence, the share of the popular leaders of Kashmir in responsibility and power must be gradually enlarged. Avenues will also have to be provided, not necessarily formal, for some of them — in particular for Sheikh Abdullah — to play their due role at the national level. In view of their belief in secular ideals which remained almost unshaken in spite of all the vicissitudes of Kashmir politics, and in view of the obvious shortfalls in building a secular India, this role can be extremely valuable.

In this context, the free hand that was given to the dissidents to contest the elections to the civic bodies and then to run them, was a step in the right direction.

The danger of relapse in the political situation in Kashmir arises not merely on account of the possible failure of agreement between the Government of India and the dissident Kashmiri leaders on the quantum of the state's autonomy and the manner and extent of the latter's share in power, but also on account of certain built-in tensions in the politics of the state that have started to surface again — paradoxically, following its normalisation.

The slogan of plebiscite used to provide a massive outlet to the popular discontent in the valley. As that outlet is getting closed, the body politic of the state will no longer be immune to reactions of the people against administrative and political lapses on the part of the government. In fact, while tending to be reconciled to remaining a part of India, Kashmiris are becoming more conscious and sensitive about their rights and their entity. In a way, the friendly embrace of Sheikh Abdullah might prove more dangerous for the ruling Congress party than his past opposition. For, if the differences become less marked and if the sharing of power becomes a distinct possibility, the protective

shell of ideology and vested interest around the party will wither away. Its ranks are likely to become more prone to the ideology of Kashmiri patriotism and to the spell of its hero.

How would Jammu react to these developments in the valley? So far, every Chief Minister after Sheikh Abdullah had taken Jammu's support for granted. His promise to fight the challenge of the secessionists in the valley was enough to rally round him the people of Jammu. Particularly by raising the anti-Abdullah bogey, he could divert popular attention away from the regional sentiments, parties and leaders in Jammu.

That bogey can no longer be used in view of the new roles of the Sheikh and the Chief Minister and their apparent mutual cordiality. At the same time, reared in an anti-Abdullah role, the Jammu wing of the ruling party may not be much of an asset to the Chief Minister in his attempts to bridge the gap. The ideological and organisational under-pinnings of the bridge thus do not promise to be strong enough to withstand the emerging diverse pressures of Kashmiri patriotism, regional sentiments of Jammu, and claims of Indian nationalism.

The Delhi parleys on Centre-state relations are a cause of further misgivings in Jammu. First, there is a feeling of being by-passed. Secondly, any possible enlargement of the state's autonomy, as demanded by the Kashmiri leaders, is feared not only as weakening the state's link with the Centre but also as reinforcing the so-called Kashmiri domination over Jammu. Unless an appropriate mechanism of reconciliation is evolved soon, the reassertion of Kashmiri identity and of pent-up regional sentiments of Jammu might start a fresh chain reaction.

It may be recalled that in the early fifties a similar chain reaction was the major cause of the process of erosion of popular support for Kashmir's accession to India. Due to tensions between the two principal regions of the state, divergent tendencies developed in Jammu and Kashmir on the question of the state's relations with the Centre. These tensions culminated in the crisis of August 1953, when Abdullah was removed from power and jailed.

Must history repeat itself? Must the current tensions be allowed to grow and cause a relapse in the political situation of the state? It should not be difficult to accommodate

Jammu's urge to be consulted and to have its say in any discussion on Centre-state relations. Jammu's fears can largely be neutralised by a clear recognition of its personality within the state and by providing appropriate safeguards for equitable share for the two regions in various fields.

The five-tier internal constitutional set-up — evolved by the J and K State People's Convention which was convened by Sheikh Abdullah a few years ago — offers a fair basis for a dialogue between the representatives of the three regions of the state, on inter-regional relations. It envisaged autonomy to all the regions of the state — subject to maintenance of its integrity — and further decentralisation of political power to the districts, blocks and panchayats.

In fact the question of inter-regional relations should take precedence over that of Centre-state relations. For, as the Sheikh has said while releasing the draft on the internal constitutional set-up, "a discussion on external relations of the state without setting its internal house in order was like putting the cart before the horse". Moreover, much of the difference between the dominant opinions of the two principal regions on the status of the state was a result of their mutual tensions. Thus, the fear of so-called Kashmiri domination motivates Jammu's urge for greater integration, which in turn causes anxiety in Kashmir about its distinct entity and inspires movements for larger autonomy.

The bridge-makers will, therefore, have to first concentrate on bridging the present divergence of popular sentiments in the two main regions of the state. Past experience and the patient intellectual work that has been done to harmonise regional aspirations should prove valuable guides.

Mere haggling on the subjects to be divided between the Centre and the state would be a lop-sided approach to the problem. Recent developments — internationally, nationally and locally — provide a unique opportunity for working out some basic transformations in the polity and politics of Jammu and Kashmir state. What should also assist this process is the realisation that, unless the present gains are consolidated, alternative avenues for discontent and means of reconciliation of rational urges discovered, and emotional energies of the people directed to social and economic growth, the process of relaxation and normalisation in the state may once again be put out of gear.

KASHMIR

Must History Repeat Itself?

Balraj Puri

IT does not seem easy — nor need it be necessary — for Sheikh Abdullah and the Government of India to arrive at a complete agreement. For, as the basic fact of Kashmir's accession to India is not in dispute, disagreement on the extent of autonomy may not prove so disastrous. If disagreement between the DMK and the Union Government, concerning the powers of the states, did not prevent the DMK from coming to power in Tamil Nadu and becoming an election ally of the Congress, why should the present stand of Kashmiri leaders come in the way of their playing a legitimate role in the affairs of the state and the country? In fact there is hardly any federal country which has achieved complete unanimity on the division of subjects between the Centre and the states.

However, the current parleys between Mirza Afzal Beg and G Parthasarathy are obviously of limited usefulness. The exercise of preparing a catalogue of acts and constitutional provisions, extended to Jammu and Kashmir state since 1953, in which the emissaries of Sheikh Abdullah and the Government of India have been patiently engaged for the last many months, has certainly been helpful in avoiding and postponing a confrontation. This in itself may not lead to a solution, which must be sought at a different level and through a different approach.

The Government of India would have obvious difficulties in restoring to the state its status of 1953 which has been demanded by Sheikh Abdullah. Yet the difficulties of the Sheikh in further climbing down from his stand should be no less obvious. That stand is based not only on his belief — shared with some other parties in the country — in greater devolution of powers to the states but also on the special historical and political situation of Kashmir. For, according to him, in rejecting Pakis-

tan and opting for India in 1947, an important consideration for the people of the state was a categorical assurance by the Government of India of an autonomous status to the state within the country. The Sheikh further argues that, unlike the other princely states, the process of integration of Jammu and Kashmir with the Indian Union has been forced since 1953 — when he was removed from power and imprisoned.

Nevertheless, there is in this stand certainly some scope for flexibility. In addition to the subjects that were ceded to the Centre by the state under the Sheikh's stewardship until 1953, there have been other measures of integration since then. The Sheikh concedes that not all of these are bad. His main objection is to the manner of their imposition, rather than to their merit. It should not be

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WEST BENGAL

Preserving the Corpse of the Alliance

THE Congress-CPI alliance in West Bengal which had reached its nadir a short while ago has been saved from immediate collapse by the agreement reached by the leaders of the two parties at a meeting on May 10. The alliance, reduced to a mere formality as its partners intermittently clashed, often quite sharply, inside the Assembly and outside, reached a critical point when Moni Sanyal, the CPI chairman of the Howrah Bridge Commissioners — a statutory body formed for the construction of a new bridge across the Hooghly to connect the twin cities of Calcutta and Howrah — was unceremoniously dismissed from his post without any prior intimation to, let alone consultation with, the CPI or Sanyal himself. A late night letter from the government communicated to Sanyal that his services as chairman of the Commissioners had been dispensed with. Insult was added to injury when Chief Minister S S Ray, intervening in a discussion raised by the aggrieved CPI MLAs in the State Assembly, tauntingly retorted that the CPI contingent of MLAs had entered the Assembly by hanging on to the coat-tails of the Congress.

There was much anger in the CPI, understandably. Party circles, including the Press at the disposal of the party, unleashed a campaign to the effect that Sanyal had been removed from his post on account of his stiff opposition to some of the shady deals in regard to the award of contracts, etc. A section of the party even started talking about the need to terminate the alliance with Congress. The dominant section of the leadership of the party, however, took a much milder position and merely wanted to be satisfied about the reasons for Sanyal's removal. There is nothing to show that at the recent talks with the Chief Minister, the reasons for Sanyal's unceremonious packing off were explained to the satisfaction of the CPI leaders. Ray has, however, admitted that his retort about CPI's electoral achievement lacked decorum.

Reiteration of the importance of the survival of the alliance apart, the only concrete achievement of the Congress-CPI meeting is the formation of a liaison committee with representatives of the two parties. In the

present circumstances, the liaison committee can be little more than another frill added to the virtually formal alliance. The Congress has been falling to pieces over the sharing of power and positions in the administration and in the mass organisations. It cannot spare even a few crumbs for its alliance partner. It is also inconceivable that the government's policies, shaped by pressures within the ruling party, can be modified by any intervention from the CPI whose legislative support is absolutely redundant for the continuance of the government.

Why then this make-believe of a liaison committee? There are some compelling reasons on both the sides. On the Congress side, the preservation of the corpse of the alliance is necessary for checking the revival of a united Left movement. Siddhartha Sankar Ray knows that his 'coat-tail' statement was only a half-truth as it ignored the CPI's role as the spearhead of anti-CPI(M) moves and manoeuvres in the crucial 1969-71 period — moves and manoeuvres which had enabled the ruling party to isolate the CPI(M), disrupt Left unity and unleash terror against the more militant opposition forces.

The flare-up of intra-party violence within the Congress and the rising public indignation against the MISA and other similar laws have for the moment tended to somewhat restrict the use of terror against the CPI(M) and other Left forces. On top of it, the growing disillusionment with the Congress and the discontent created by the accelerating crisis of the economy have been steadily preparing the ground for a united opposition against Congress misrule. In the circumstances, the Congress cannot allow the CPI to drift towards a united Left grouping. The basic direction of political development in West Bengal has already become clear from the fact that, despite many serious differences among them, all the non-CPI Left parties have been moving together in mass actions and that even the Socialist Party, which has a strong ideologically anti-communist core, has decided at its recent conference to work jointly with CPI(M) in mass movements. The Congress must, therefore,

continue to have the CPI tagged to its tail if an all-in anti-Congress mobilisation has to be thwarted.

Within the CPI, apart from the compulsions arising from its national political line and the interests of Kerala ministerial politics, the dominant leadership of the State unit of the party has its own vested interest in the alliance with the Congress. The present leadership of mediocre and relatively unknown elements had gained the upper hand in the party, with the blessings of the party centre, when the midterm polls of 1971, by reducing the strength of the party from 33 in the previous House to 13 in the new, had proved the worthlessness of its policy of equidistance from both the Congress and the CPI(M). If the cornerstone of its new policy, i.e., alliance with the Congress, is given the go by, the return to the top of the more popular displaced leaders cannot be prevented for long. On the other hand, the displaced leaders, though they are reported to be extremely critical of the Congress and its government, are not yet ready to advocate a full-fledged alliance with the CPI(M). And, they have learned to their costs that a third front in between the Congress and the CPI(M) has no chance of making its mark in this state. They too have no alternative to the present uncomfortable berth in the alliance with the Congress. Hence, the present agreement on the preservation of the mummy that is the Progressive Democratic Alliance (PDA).

*

"The quarrels among the West Bengal Congress youth are no longer confined to the stage of statements and counter-statements — the quarrels have reached the stage of pipe guns and pistols. Both sides are now engaged in collecting ammunitions and if these quarrels are not settled immediately, then within a short while there are bound to be large-scale murders and assaults. Moreover, Siddharthbabu will not be able to stop the murderous clashes promptly with the help of the police only."

— Political Correspondent of *Ananda Bazar Patrika*, Calcutta, May 12, 1973.

"Siliguri, May 13 — In a raid on the parallel Congress office at Alipurdwar last night, police seized a gun, 11 cartridges, 27 bombs and a huge quantity of bomb ingredients. The office has been set up by dissident Congressmen of Jalpaiguri district, spearheaded by several party MLAs."

— *The Statesman*, Calcutta, May 14, 1973.

STEEL

Thinking 'Big'

(From a Special Correspondent)

THE tentative steel programmes for the Fifth Plan and beyond are based on calculation of per capita consumption of kilogrammes of steel as a measure of development and progress. However, while it is readily accepted that foodgrains can be, and have to be, rationed, steel capacity planning is still done without closely examining how much steel can be deliberately denied to the demand-makers. On the basis of loose assumptions, it has been decreed that the country will need to make more than 15 mn tonnes of saleable steel or 22 mn tonnes of ingot steel by 1980. Of this, a little less than two million tonnes are for export. Projecting 90 per cent utilisation of installed capacity, the plans are for 17 million tonnes of saleable steel capacity by 1980 and 37 million ingot tonnes capacity by 1985! The questionable presumptions here are, first, that steel plants will be able to work at 90 per cent capacity soon after their completion and, second, that we can add some 13 million tonnes of ingot steel capacity by the end of the seventies. We can't — and we don't need to.

NON-ESSENTIAL CONSUMPTION

After first assuming that the country needs to instal another 13 million tonnes of ingot capacity by the end of the decade, (some planners say the need is even more), various quick exercises are being done these days on how best to achieve these questionable ends. First of all, the fiscal question. Thirteen million tonnes of steel capacity will cost more than Rs 5,000 crores on optimistic estimates. Coal and iron ore mines, railway transportation and all the rest will be additional. The CEDB had one and a half years ago presented the government with two feasibility reports — one for the expansion of the Bhilai plant from 2.5 million tonnes to four million tonnes and the other for a two million tonne plant at Vijayanagaram. The report on Vijayanagaram, as well as a similar report by Dasturco on the Visakhapatnam plant, showed that these two plants might lose forty or fifty crores

of rupees a year under the present rules of capital supply to steel plants, interest rates and steel prices based on old capital block rates applicable to the Indian Iron and Steel Company. Dasturco and CEDB were then asked to do some cost-cutting exercises. The former came up with an exercise which asked for relief for steel plant imports from the burden of customs levies and what not. The CEDB suggested an increase in the size of the plant as well as production of more flat products which fetch higher prices.

On grounds of producing mainly the higher priced items in the interest of profitability, Bokaro, Rourkela, Bhilai, Vijayanagaram and the expanded TISCO plant will all go flat. And when more flats are available than can be used with real benefit to the nation, there will, of course, come the pressing demands for expansion of the luxury consumer goods industries which can convert the surplus flats into the second refrigerator for the Peddar Road or Ballygunje home, and who knows perhaps for making throw-away steel cans for the Bombay milk supply scheme. Don't take this as a flight of fancy, however weird the supposition, because licensing records show that during the Bangladesh emergency the country did import steel to make furniture. These steel intermediates were not available indignously at that time because of the collapse of the roof of the steel smelting shop at Rourkela. The Vasant Vihars of New Delhi are an eye-sore example of how the demand for steel can be pushed up, while, without violating any of the fundamental rights, architects can be compelled to design and householders forced to build houses which do not unduly strain the productive capacity of the steel industry.

Having assumed that the country will need a capacity of 22 million ingot tonnes by the end of the decade, the Steel Ministry asked CEDB to prepare a feasibility report on "expansion" of Bhilai to seven million tonnes and beyond and Bokaro to ten million tonnes. The feasibility report on the

Bhilai expansion to seven million tonnes will reach the government in a few weeks along with CEDB's detailed project report on the expansion to four million tonnes. Expansion of Bhilai to four million tonnes (that is, adding one and a half million tonnes to its present capacity) and Bokaro to 4.7 million tonnes ingot have been decided upon. These additions will leave about seven million tonnes of capacity creation to meet the tentative Fifth Plan target of capacity. If the decision is to add three million tonnes more at Bhilai and five million tonnes more at Bokaro (proposals agreed to "in principle" with the Russians already), then we may forget for some years the Vijayanagaram and Visakhapatnam plants as well as additions at Jamshedpur. An array of technical experts, including those in the CEDB, are opposed to going in for massive plants, whatever the source of foreign assistance.

The attempt to get started on massive expansion of Bhilai and Bokaro is tied mainly to the Soviet willingness to provide the steel plant machinery on credit. The government seems to think that it has no other option. The indigenous plants to make steel plant machinery, erected mostly with Soviet and East European technical and financial aid, have lagged behind requirements, to put it mildly. The addition of 13 million tonnes of ingot capacity will need about 15 lakh tonnes of equipment and special structural. Including the production of the still-slumbering Heavy Engineering Corporation, the indigenous output will be perhaps about five lakh tonnes during the Fifth Plan. This means that some ten lakh tonnes of equipment and structural will have to be imported. The Russians are ready, on their own terms, to provide the wherewithal to build a large part of the additional capacity at Bhilai and Bokaro.

DIFFERENT APPROACH

But take a look at the consequences. If Bokaro is to be 10 million tonnes and Bhilai seven million tonnes, then when the total steel capacity reaches 22 million tonnes, more than 75 per cent of the steel production will be tied to Soviet technology. Nearly half of the capacity will be at one centre. Also, a single spark of management-labour difference will be enough to close down almost one-half of the

country's steel capacity. And what about management? Is it being readily presumed that there are managers of proven mettle in the private sector to take over the management of the Bokaro and Bhilai giants? In any case, it is a bizarre concept to build gigantic steel plants with Soviet aid and then to hand over their management to veterans from the private sector. (After all, if the monopolies are fettered, private sector managers have no other way to climb up except by going public!)

With Bokaro at 10 million ingot tonnes, the total tonnage to be moved in and out will not be less than 45 million. The railways have proved themselves incapable of properly feeding the present Hindustan Steel plants at 4 million tonne ingot annual production, which the three plants reached in 1972-73. In the first few months of this year, these plants were not sure whether the coal would be there the day after.

An altogether different approach to steel planning would be to begin by re-working the estimates of steel requirement on the explicit assumption of drastic curbs on non-essential consumption. The HSL plants are supposed to have a total installed capacity of nearly six million tonnes, though the best annual rate of output so far has been only four million

tonnes. The capacity rating is not absolute, but relative mainly to the quality of the feedstocks and secondly to the standard of human performance in the factory. There could be concentration on improvement of the coal, coke and ores that are fed into the furnace and on other efforts for a better rate of production. If European standards could be reached, not to talk of the higher Japanese standards, steel production from HSL's present capacity could be much more than six million tonnes. This exercise would not need large imports.

The new capacity to be created should similarly be more or less attuned to production expectations from indigenous capacity in machine-building with carefully restricted and matched machinery imports. With greater self-reliance, there are bound to be competitive tenders for the sale of the selected items of steel plant machinery from the West as well as from East Europe and Japan. Instead of calling each other names, both CEDB and Dasturco may perhaps blossom out into real pioneers building the country's first swadeshi steel plants. This was an aspiration dating back to the embryonic stages of Bokaro. On the other hand, two more tied commitments to the Russians on Bokaro and Bhilai may doom the Indian steel industry to decades of dependence.

of regional development, regional movements and national integration.

It was mentioned by participants that disparities in regional development were a prime factor promoting regional movements. Such disparities were the result of: (a) differences in resource endowments, including natural and locational advantages, and human resources and historical experience; and (b) imbalances in political power between regions that led to a transfer of resources (including migration of people in search of employment) which often favoured one region (usually the better endowed one) at the cost of another. Sometimes, the pattern of relationship between a developed region and a backward one was so sharply unjust and exploitative that it could even be called 'inner colonialism'.

An additional cause of disparities in regional development was identified as being the imposition of a common pattern of development throughout the country, ignoring the fact that a region might have potentialities for an entirely different pattern of growth. The result has often been non-realisation of regional potentialities.

Approaching the problem from another direction, it was pointed out that the causes of regional disparities were not different from the causes of vertical (class) inequalities which have intensified in the course of development. This, it was pointed out, means that no solution can be discovered for the one kind of disparity in isolation from the other. It was recognised that in addition to regional disparities in development, there were other factors leading to recurrent regional movements. The growing urge for participation in democratic processes and in development was identified as an important motivation in regional movements. It was argued that the giver politico-administrative structure, and often the given size of states, was no conducive to democratic participation. The distance between the centre and the periphery, between the decision making machinery and the masses, was much too great. In this connection many participants felt that smaller states with a thorough-going change in the politico-administrative structure along the line, from grassroots level to the Union centre, would be a corrective step. Those who favoured this view argued that these steps would not only ensure greater democratic participation and national integration

but also be conducive to development (economic and social) according to the genius of the people of the region.

Contrarily, it was pointed out that these steps were not the real solution because the problem was not one of lack of participation and regional disparities in development but of the class basis of political power and there was no reason to believe that this class character would undergo any change with smaller states. Fears were actually expressed that regional movements were often whipped up by the very class which rules and are directed in support of the interests of this class rather than the progressive goals of participation and an egalitarian pattern of growth.

It was also pointed out that in an inequalitarian, stratified society, where social consciousness varies between different strata, it is likely that different strata will perceive the overall society in different ways and may have different preferences concerning where power, resources, etc, ought to be located. In other words, it is still an open question whether the deprived strata of society would find it in their interest that power be located within smaller or larger regions.

A formulation which received wide support among the participants was that, to the extent that India has accepted and is operating a political system of which democratic participation and social equity are integral parts, it followed that regional assertions which were based on demands for greater participation and equity were to be considered not as disintegrative but as contributing towards greater integration. In other words, it would be a serious mistake to characterise such regional movements as threats to national integration. On the contrary, in generating demands which primarily reflect the urge for greater participation in governance and development, such regional movements pay a tribute to the integration which already exists rather than question it.

The question of development and integration was considered in this context and it was pointed out that one cannot undertake one without the other, i.e. isolate one from the other. They are mutually dependent and reinforcing processes. It was further said that increasing differentiation was a function of development and that differentiation was a precondition for integration. Hence, the process of dif-

ferentiation — which, needless to say, is not to be equated with disparity — is not to be looked upon as antithetical to the process of integration. Hence, differentiation is to be welcomed and encouraged rather than frowned upon.

But the logic of differentiation in the context of development, the participants felt, was only economic but also social and political. In other words, differentiation would tend to be expressed not only economically but also socially and politically. Regional identities, regional assertions and regional demands are bound to grow as development proceeds. What is important is to evolve an approach to understanding and, eventually, meeting these growing aspirations adequately. Are they only to be condemned as fissiparous, disintegrative tendencies? Are they only to be regarded as reactionary, non-progressive and diversionary movements of a class of vested interests? No fully satisfying and generally convincing answers could be obtained for these questions. However, it was largely felt that regional movements are expressions of the democratic aspirations of the people and ought, therefore, to be dealt with on the basis of certain normative standpoints. These were stated as follows:

The politico-administrative system should be such as to ensure maximum participation of the people in the tasks of governance and development.

The system should enable maximum development, measured not

only in terms of some abstract or national criterion but in terms of a pattern which is directly meaningful to and commonly shared by the people of the area.

The areas of commonality are therefore important. They are expressed in terms of various aspects of social existence — social, cultural, economic — and in terms of ecology and physical resource endowments. It would be a mistake to single out only one, e.g. language or religion. Experience on the subcontinent has amply proved in the last 25 years the futility, and sometimes disastrous consequences, of this kind of one-sided approach.

It was pointed out that the task of formation of such regions, as will at once meet all the socio-political, planning and developmental needs, has yet to be done. Very often, the variety of aspects which go to form a 'region' cut across one another. Further, it is not as if these remain fixed in time. Rather, they shift over time with various emphases. In such circumstances, it is necessary to ensure that the politico-administrative structures are dynamic and flexible enough to be able to adjust themselves to regional aspirations. It was further argued that the 'regions' should not be looked upon as homogeneous units, which they are not and that regional movements should not be understood as being directed towards isolation and independence. On the contrary, movements for smaller region formation, by definition, are movements also towards greater integration and interdependence.

REVIEW

The Farm and the Farm Family

Economic Viability of Farms in Udaipur District (Rajasthan) by B K Tandon and B S Mardia; Department of Economics, School of Basic Sciences and Humanities, University of Udaipur, Udaipur, 1971; pp 249 + xvii, Rs 35.

THE book under review is based on a study sponsored by the Research Programmes Committee of the Planning Commission and conducted during 1967-68 in a "typically small farms district in a state which is characterised by large farms". It covered a sample of 320 farms spread over 16 villages in the four selected tehsils of the district. The central objective of the study was to "test the viability of farms, especially small farms, and to locate the key factors which account for the same" (p 90). Viewed against this central objective, the study leaves much to be desired.

Regional Development and National Integration

(From a Special Correspondent)

REGIONAL movements for autonomy, sometimes culminating in demands for the splitting of existing states into smaller ones, are a problem that has attended on all efforts at national integration in India. These movements have been occurring ever since independence and were in fact, anticipated even earlier, i.e. during the independence movement when the Indian National Congress resolved that states in independent India ought, as far as possible, to be linguistically homogeneous. This was by and large achieved in the fifties. But this by itself cannot, and has not, either solved the problem of regional autonomy or changed the basic character of Indian polity — that of a successor state to

the colonial regime. In fact, our politico-administrative structures continue to be, basically, those inherited from colonial times.

A workshop was organised in Delhi on February 15-16 by the Institute of Economic Growth in collaboration with the ICSSR and the Research Committee on Sociology of Regional and Urban Development of the International Sociological Association to discuss the problem of regional movements and their causes and also to work out an approach to them which would lead not only to a better understanding of the forces that shape them but enable a constructive channelling of such movements. In particular, the task was to understand the relationship between the various aspects

The authors devote little space to the discussion of key concept like 'viability' and 'small farm'. Guided more by operational convenience than the ultimate utility of their results, the authors have adopted simple working definition of the terms. Viability is defined in terms of the break-even criterion. All operational holdings the value of whose output at farm prices covered or exceeded the value of all inputs, including utilised family labour, were considered viable. Judged by this criterion nearly 44 per cent of the sample farms were found viable. However, in the Indian context, where it is difficult to meaningfully segregate the farm from the farm family, the break-even criterion would be highly inappropriate for judging viability. Narrow profitability of an enterprise — on the basis of currently and directly used inputs — which overlooks the maintenance requirements of the farm family — in a sense, a part of the fixed cost of the farm — can hardly serve as an indicator of viability. A farm cannot be treated as viable simply because it gives some net margin over cost, if this margin proves too small to sustain the family operating the farm.

It is largely because of disregard of the 'totality' of the family farm or rather the artificial segregation of the farm and the farm family that the authors have been able to conclude that in the situation of Udaipur district "tenant farming is not a losing proposition . . . the main contribution of the tenant is his (actually utilised) labour for which he is better rewarded than the landlord. This ownership itself does not confer any special benefit unless it is followed by intensive farming" (p 85).

PART OF FIXED RESOURCES

Similarly, while discussing farms which were completely unirrigated and yet viable, the authors observed that "their viability is accounted for by their very small size where burden of overheads is so small . . . that even small investments pay off" (p 87). These arguments would imply that under-utilisation of fixed farm assets (which gives rise to high overhead cost) is the principal source of non-viability. But in the situation of Indian family farms, family labour — nearly 42 per cent of which remained unutilised, according to the present study (p 143) — is very much a part of fix-

ed resources and if maintenance of family labour is taken into account while judging the viability of the farms, the results of the study would be completely altered. With the help of correlation analysis it is concluded that "viability of farms had its key determinants in the size of farm and the extent of fragmentation, tenure status, irrigation facilities, literacy, use of improved inputs and technology and product mix (p 97). Thus really no relevant factor is left out. But this type of 'this-is-important-and-that-is-also-important' approach can hardly guide an action programme. A closer study of the relevant tables would suggest that the list of "key determinants" could have easily been shortened.

SENSELESS COMPARISONS

Regarding small farms, a working definition was adopted which (irrespective of the known differences in resource base, e.g. soil rainfall and irrigation in the selected areas) treated all farms below 2 hectares as small farms. Those between 2 and 6 hectares and above 6 hectares had been treated as medium and large farms, respectively. The classification is said to have been adopted to facilitate all-India comparison (which is hard to find in the whole book, except in Table 6.1). Moreover, in view of the wide differences in soil-climatic conditions and the productivity of land, one does not see much sense in such comparisons. However, the authors of the present volume are not the only people to be blamed for adopting such an approach.

According to the study, farms below 2 hectares constituted 66 per cent of all operational holdings and covered 53 per cent of the area in Udaipur district. (Incidentally, the SFDA now operates in the district.) The corresponding figures for the selected tehsils were 82 per cent and 56 per cent, respectively. As the sample contained only two large farms, the whole study deals with the comparative position of only small and medium-size farms. While presenting the details, the pattern of the Farm Management Studies is broadly followed. The quantitative details presented in more than 80 appendix tables are an important contribution of the study. Gross income per farm and per hectare (in the case of sample farms) was found to be Rs 2,405 and Rs 1,931, respectively. The per-hectare expenditure on small farms was higher (Rs 1,540) compared to

medium farms (Rs 1,273). Farm business income showed an upward trend with increase in size of farm. It was Rs 499 and Rs 623 in the case of small and medium farms, respectively. When comprehensive cost was considered, there was net loss of Rs 226 and Rs 23 per farm in the case of small and medium farms, respectively.

NOT BY LAND ALONE

Of the total 320 sample farms, 43.7 per cent were viable according to the break-even criterion. The proportion of viable farms was 33.2 and 44.7 per cent in the case of small and medium farms, respectively. The vast majority (86 per cent) of the viable small farms had 60 to 100 per cent of their area under irrigation (p 87), which underscores the need to take into account the total resource base rather than only the physical land surface while classifying the farms as big or small. It is also observed that livestock enterprise actually depresses the farm economy and makes only a negative contribution to the viability of farms (p 74) — warning to the protagonists of a "white revolution" through small and marginal farmers.

The study confirms most of the facts revealed by similar studies in other areas. For example, most of the small farms belong to the lower castes; there is high incidence of tenancy (leasing in) in the case of small farms; there is a relatively heavy burden of overhead capital and under-utilisation of owned human and bullock labour on small farms; there is relatively low and slow adoption of new technology by small farmers; development, extension and co-operative agencies have neglected the small farmers; the moneylender-cum-trader is still a strong force in the village economy, etc.

The study concludes with some suggestions for improving the economic conditions of the farms in the district. Most of the remedies suggested are well known, e.g. improvement of irrigation facilities, consolidation of holdings, provision of farm credit, education of farmers and creating awareness among them, etc. What is striking is the authors' complete disregard of the realities of the situation in Rajasthan when they demand more and more activities through Panchayats and co-operatives which have proved a miserable failure in the state.

From Reformist Princes to 'Co-operative Kings'

I — Political Change in Pre-Independence Kolhapur

Donald B Rosenthal

This paper examines how the character of political relationships in Kolhapur state/district has changed during the past century and what the present pattern of political leadership in that district looks like. While the part that social structure has played in these matters is notable, the roles played by particular men and, equally important, the contingent nature of those roles, need to be emphasised.

For, contrary to that school of political analysis which attributes much stability to the past, the political history of Kolhapur embodies the search for additional bases of power, conditioned, no doubt, by the social structures and technological possibilities of an era but significantly independent of them. The result is that those men of ambition who are able and willing to enter into political life can influence the actions of others and direct the course of events of their times, if only on the small stage provided by local political activity.

What should be stressed here is that by 1962 to speak of the bases of political power in Kolhapur district, meant not only to refer to those with formal power in state or local legislative bodies, or to men with a voice in the district party, but also to those most active in the new economic institutions of the district — institutions which drew upon governmental financing organised under the guise of co-operative economic activity. Indeed, so important have the major co-operative institutions become as political arenas in their own right — for they have control of important financial resources which can be manipulated to the advantage of individuals or political groups — that contests for control of bodies like the district board, do not seem to raise as basic or potential a threat to the positions of major political leaders as do challenges to their control of taluka and district co-operative institutions.

Part I examines these political processes upto the merger of Kolhapur state with independent India. Part II deals with the highly personalised style of Kolhapur politics during the period 1947-67. Part III looks at the trends towards routinisation and institutionalisation of Kolhapur politics during the past few years.

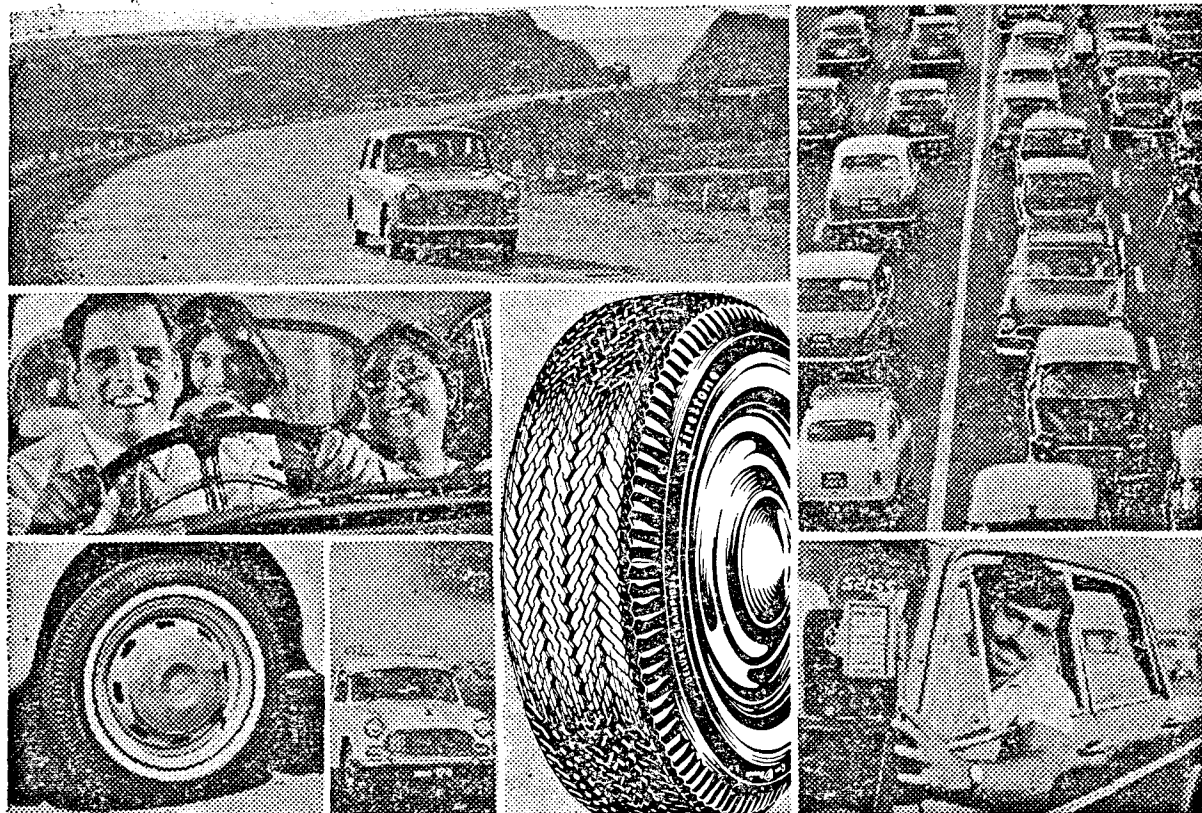
MORE than the social science literature sometimes appears to concede, political change is a process owing much to a combination of individual will and political opportunities. While these two dimensions may be conditioned to a considerable extent by forces of a cultural or social structural character, there is still left an area of indeterminacy in political life which allows men of unusual will to seize opportunities and to turn those opportunities in directions which are not readily predictable from preceding circumstances. Studies of political history in India have recognised the role of such men in national political life — men like Gandhi and Nehru — whose exercises of will during particular periods in history turned events in unanticipated directions. Most recent studies of Indian local politics, however, have been so much concerned with the 'determinants' of public behaviour — with the structures on political life imposed by such factors as caste, class,

religion and landowning patterns — that they have tended to overlook the degree to which even at the local level the shape of political life is a function of individual ambition and the availability of political prizes to which men can turn those ambitions.¹ For individual political actors, of course, the 'meaning' of political ambition and the purposes of power may vary considerably. For some, power is an end pursued and accumulated in its own right — a seeking for both the substance and insignia of control over the lives of other men. For others, the attainment of political position may be a means of achieving further ends like wealth or status or preserving those resources which have already been acquired by the individual. For still others, a rarer breed, the accumulation of political power may be a means toward the end of making alterations in the structure of political and social relationships among men.

In the present paper, we shall exa-

mine how the character of political relationships in one district of India has changed in the past century and what the present pattern of political leadership in that district looks like. While we shall note the part that social structure has played in these matters, we shall also be emphasising the roles played by particular men and, equally important, the contingent nature of those roles. For, contrary to the school of political analysis which attributes much stability to the past ('tradition'), we shall argue that as embodied in the political history of Kolhapur, the search for additional bases of power is a constant of Indian history, conditioned, no doubt, by the social structures and technological possibilities of an era but significantly independent of them. The result is that those men of ambition who are able and willing to enter into political life can have an influence on the actions of others and can direct the courses of events of their times if only on the

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small stage provided by local political activity.

Shahu and the Non-Brahman Movement

Until India became independent in 1947, Kolhapur was a princely state which operated under British direction.² Created as a separate Maratha state in 1731, Kolhapur experienced a series of short and ineffective reigns after the British established hegemony in 1818. It was the death of a young prince that caused the ruling family to adopt a ten-year old boy of a high-status local family as the heir to the throne in 1884 and it was only in 1894, at the age of twenty, that the youth, who had been given the royal name of Shahu, was actually invested with such limited powers as the position of a maharaja held.

Once he attained his majority, however, Shahu moved on two political fronts: 1) to increase his own political power within the princely realm of Kolhapur; 2) to raise the status of the non-Brahmans (and particularly the Marathas) both in Kolhapur and in western India more generally. It is impossible to assign a priority of motives to Shahu, but part of his achievement lay in linking his own political ambitions to a larger cause with which many persons of both high and middle status wished to associate themselves. Equally important, though we must be careful in attributing motivations where evidence is insufficient, it is interesting that he chose a route for increasing the stature of his *gadi* and his own political standing in the larger Marathi-speaking region that employed the British to his own ends while seeming to conform to British preferences for political order in the subcontinent.

During the period of discontinuity within the Kolhapur ruling house which had preceded Shahu's reign and for a time that followed the start of that reign, the British relied heavily on a small group of Brahman administrators to fill important subordinate posts in the Kolhapur administration. Chitpavan administrators who had figured large in the Poona-based Maratha empire, had followed the British into Kolhapur and assumed a major political role in the kingdom subordinate to the British. By non-Brahman default as much as by Brahman skill in taking advantage of educational and administrative opportunities made avail-

able by the British, Brahmans (including both Chitpavans and others) had gained an influence over Kolhapur public life far out of proportion to their actual representation in the population. For, out of the total population of the state, no more than four per cent were Brahmans and only part of these were the administratively-active Chitpavans. Yet, the Brahmans were by far the most literate group in the population and they dominated the educational, administrative and religious structure of the kingdom.

The non-Brahmans were by no means a unified group at the time, nor were they to become so subsequently. Still, attempts at their consolidation as a political force were to be identified with some of Shahu's most notable activities over the next thirty years. At the top of the non-Brahman hierarchy were the Maratha nobility, perhaps eight per cent of the total population, who (like Shahu) traced their lineages to north Indian Rajput families or to the military and administrative associates of Shivaji. Contrary to views of the 'caste system' that see it frozen in time and space, the boundaries of Maratha status seemed to shift with historical circumstance and political opportunity. The lower boundaries of the group were particularly indistinct, but even for those Marathas of considerable wealth and political power there was a lack of societal agreement about the status to be accorded in matters bearing on religious ritual. Here the role of the Brahmans became crucial because an important function of the Brahmans had always been to legitimate status claims. The Brahmans could and did employ that responsibility as a political resource in denying even to Maratha rulers their status claims as Kshatriyas and granting to them only those inferior rituals consistent with Shudra status. Members of the ruling house had been accorded Brahmanic recognition as Kshatriyas, but Brahman practice sought to restrict the status to narrow a stratum as possible, thus granting to Brahmanic authority effective influence over the legitimation of claimants to political authority. Even Shahu, whose family status was very high within the Kolhapur nobility, found himself subject to the scrutiny of local Brahman priests over his claims to being a 'true' Kshatriya because he was not of the direct male line of the preceding princely family. As we shall see, how-

ever, Shahu did not conform to Brahmanic authority in these matters, thus setting off a chain of events that still reverberates in Kolhapur public life.

While the Marathas were identified at the turn of the century as a small elite group of landlords with claims to high status, the vast body of local Hindu peasants were called Kunbis. The line between Marathas and Kunbis was an indistinct one. What the subsequent non-Brahman movement in Kolhapur and other areas of the Marathi-speaking region did was to erase that line so that today the Maratha 'caste' constitutes over forty per cent of the population of a district such as Kolhapur. While distinctions of noble and 'commoner' familial origins continue to be made *within* the 'caste', such distinctions are of less importance (except for family matters like marriage) than the impact of political life on the consolidation of the former Maratha and Kunbi groups.³

In addition to a variety of smaller artisan and agricultural castes, and an untouchable population of about twelve per cent of the population, Kolhapur was notable for a substantial number of Jains and Lingayats (together forming about ten per cent of the population). These two ancient religious communities had rejected significant elements of Brahman dogma including the peculiar precedence in the social order accorded to the Brahmans to themselves. The Jains and Lingayats, therefore, brought to the public life of Kolhapur an alternative set of values which were available to leaders who might choose to oppose Brahmanic interpretations of appropriate political behaviour. While by no means as educated or as urbanised as the Brahmans, they did include a larger proportion of educated and town-based individuals than did the Maratha-Kunbi configuration.⁴ Within the circle of 'available' non-Brahman elite groups one might also count the tiny community of CKPs numbering about 300 individuals in 1881. A community which claimed a status equal to the Brahmans — a claim which the Brahmans had always stridently rejected — the CKPs were a source of men of talent who were to act as advisers to Shahu and to take an active part in the non-Brahman movement elsewhere in Maharashtra.

As early as 1875, Mahatma Jyotiba Phule had set to work from Poona to build a non-Brahman movement which

would both raise the aspiration levels of the non-Brahmans and undermine the religious and political authority of the Brahmins. However, his organisation, the Satyashodak Samaj (Truth Research Society) languished after Phule's death in 1890. Perhaps it was too radical in its appeals for an end to casteism and an introduction of egalitarian values in public opportunities.

Certainly, Shahu's initial challenges to Brahmanism were of a different and milder nature. Surrounded at first by Brahman advisers, Shahu simply tried to increase the number of Marathas in his immediate service and took a CKP as a senior adviser. His first major steps toward social reforms were in the field of education where during the decade after his succession he encouraged the founding of community hostels for non-Brahmans to live in while attending school in Kolhapur. Royal patronage was extended to hostels not only for Marathas, but for Jains, Lingayats, Harijans, Muslims and other communities. In 1902, however, Shahu took the further step of ordering that quotas be established so that half the posts in the state's service would now be open to the 'backward classes' — essentially all the communities save Brahmins and CKPs. Thus, educational opportunities for the non-Brahmins proved to be the opening wedge for undermining Brahman hegemony in the state's administration.

Open warfare had already erupted between the ruler and the Brahmins on another front when in 1900 an officiating priest refused to perform the full Kshatriya rites for the ruling family because they were not, according to the priest, eligible for rites due to Kshatriyas. This dispute set off a chain of events in which the Brahmins and the Maharaja struggled with each other for religious and political authority. It should be noted that the ruler was not claiming the right of such ceremonies for all Marathas, but only for himself as a 'true' Kshatriya. In questioning the appropriateness of providing the rites to Shahu, however, the Brahmins were also indirectly attempting to deflate his political claims as a direct successor to Shivaji and seeking to downgrade the legitimacy with which he might hope to pursue the non-Brahman reforms on which he had already embarked.

This rather narrow dispute also was entangled in the politics of the early

nationalist movement — a movement which did not gain real ground in the state until the 1940s. Many of the early nationalists in Maharashtra — particularly those associated with B G Tilak — were themselves Brahmins who supported the Brahman side of the conflict with Shahu as a means of affirming the 'traditional' values which their brand of nationalism represented.⁵ The British at different times either adopted a policy of non-interference in these 'parochial' disputes or supported the aspirations of the non-Brahmins, particularly those non-Brahmins like Shahu whose anti-Brahmanism was mixed with continuous verbal expressions of support for the British presence and for British policy in India and elsewhere.⁶

In addition to his activities in education and in encouraging non-Brahman employment in the state service, Shahu also made some efforts to encourage industrial development in his state. A major spinning and weaving mill was started with his help in 1906 and after it ran into difficulty, the state administration took it over and operated it rather successfully. Various co-operative activities were also started by those associated with Shahu's reforms.⁷ (In part, these actions in the co-operative sphere were directed at weakening the power of Brahman moneylenders in the rural areas.) Shahu's efforts at mobilising the economic potential of the state as a possible political resource in fighting the non-Brahman battle and in enhancing his own power in the state were counterbalanced by the achievements of some of his enemies.

Thus, among the feudatory dependencies of Kolhapur state were some minor chiefs whose Brahman ancestors had established permanent claims to local titles and estates through direct grants from the Brahman Peshwas. These feudatories were politically troublesome to Shahu and provided a source of backing (both financial and political) to some of the anti-Shahu activities of the Brahman priesthood. In particular, the Brahman *jagirdar* of Ichalkaranji had long been a source of irritation to the Maratha rulers of Kolhapur and, partly in response to Shahu's economic activities and partly in order to develop his own base, the chief of that feudal holding in the north-eastern section of the state (bordering on what is now the state of Mysore) encouraged the growth of

the weaving industry in his territory, a matter to which we will return later in the paper.

In 1911, the educational reformism of Shahu and his personal war with the Brahman priesthood took a new turn with the formal establishment of a unit of the Satyashodak Samaj, Phule's old organisation, in Kolhapur. The following year, Vedic (Brahmanic) ceremonies began to be performed by non-Brahmins and the goal of a non-Brahman priesthood was confirmed in 1913 when the Maharaja gave a grant to the Satyashodak Samaj to teach non-Brahmins to perform priestly duties. These activities reached their climax in 1920, when after another series of conflicts with the Brahmins, Shahu created a religious *math* for the non-Brahman priesthood headed by a young Maratha then studying at the western-oriented Fergusson College in Poona.

While such religious reforms did not long survive Shahu's death, the excitement created by these religious disputes had a profound impact upon the thinking of a generation coming to maturity in Kolhapur and other nearby areas of western India and provided an important impetus to a more far-reaching non-Brahman movement which was to take shape both in Kolhapur and elsewhere in the region during the 1920s.

In the area of rural economic life, Shahu took various steps in the direction of reform. Perhaps the most important was the abolition of the Kulkarni *watan* in the villages of Kolhapur in 1919. Traditionally, various service functions were performed in the village in return for grants of rights in land or in produce called *watan*. Responsibilities over administration of these grants were vested in village headmen (Patils), but much of the actual administrative work was assigned to the Kulkarnis, village administrative officers. Both positions tended to become hereditary in the village. The Patils, who were usually non-Brahmins, were frequently illiterate; the Kulkarnis, who were generally Brahmins, were often literate, with the common result that effective control of the records and of corollary economic power in the village passed into the hands of the Kulkarnis.⁸ To break Brahman power at the village level, Shahu moved to abolish the Kulkarni *watan* in 1913 and to substitute a group of appointed *talatis* (village record keepers) directly under state administration rather than on a heredi-

tary basis from within the village. Insofar as practicable, Shahu moved to appoint non-Brahmins to such posts, even going so far as to select several 'untouchables' to these highly responsible and economically sensitive positions.⁹ While regarded as a major social and political reform directed toward opening opportunities to a wider segment of society, it should also be recognised that the reform was a way of enhancing the authority of Shahu and the state's central administration as against local chieftains, both Brahman and non-Brahman.

These events took place just as the non-co-operation movement of 1919 — Gandhi's first venture into national political leadership — was getting under way and added to the fuel of conflict between the urbanised Brahman nationalists and the non-Brahman elite which remained loyal to the British raj. During these years, many non-Brahmins in Marathi-speaking sections of Bombay (like the non-Brahmins of Madras)¹⁰ put their intra-regional and inter-caste quarrels above the nationalist cause. Indeed, for a time that cause was associated in many non-Brahman minds with Brahman aspirations to domination over Indian society. Thus, it was with some support from the British that Shahu, particularly in the last years before his death, played an active role in helping to sponsor non-Brahman activities not only in education but in communications (by encouraging the start of anti-Brahman newspapers).

Though Shahu was essentially a conservative reformer — very few actions of his involved any measure of democratisation or other elements of political reform within his own state — the increasing secularisation of political life associated with his latter years and the legitimacy his throne lent to movements for educational and social reform among 'Marathas' (now defined to include not only Kunbis but, by extension, other non-Brahman communities as well) gave rise to a younger generation of political reformers whose political impact was to be felt first outside Kolhapur before it reacted back upon the political life of the state.¹¹ Shahu, it should be noted did sponsor educational societies and social reform activities in his later years, not only in Kolhapur but elsewhere in Bombay. Within Kolhapur, the development of Rajaram college during Shahu's reign

(at a time when higher education was not generally available to non-Brahmins from neighbouring districts) provided educational opportunities to a group of young men who were to have continuing importance for the next fifty years) in the public life of the region. More important they were to spread the atmosphere of reformism elsewhere that they first encountered in Kolhapur.¹²

Rajaram and the Nationalist Movement

If Shahu was an inveterate activist and reformer, his son Rajaram was not. As we have already indicated, Shahu's reforms stopped short of major innovations in political relations. Limited attempts were made to reorganise municipal government in Kolhapur city during Shahu's regime — mainly to improve the representation of non-Brahmins among the membership — but these reforms were minor. Rajaram continued many of the policies his father had introduced but he neither associated himself with the political movements that arose during the period of his reign (1922 to 1940) nor did he move to enhance his personal stature by making his own innovations. The equivalent of a district local board (but functioning as a state assembly in Kolhapur) was created in the 1930s to deal with development matters in the rural areas, but most members were appointed and there was little extension of the principle of responsible government to the state level under the princely regime. As a result of Shahu's reforms, there was a gradual loosening of Brahman influence in the state, but Kolhapur became a political backwater at a time when a non-Brahman movement was taking on more militant overtones in parts of nearby British India¹³ and the nationalist activities of the Congress under Gandhi's leadership was galvanising the attention of some urbanised elements in the population.

Demands for greater political participation began to appear in Kolhapur only in the late 1930s. In 1937, an agitation was organised which among other items demanded a lowering of the land revenue assessed on agricultural land, restrictions on the conversions of farm land by the royal family to private use (for hunting grounds) and a measure of responsible government. The agitation was led by Madhavrao Bagal, a journalist and artist in his

early forties, and Ratnappa Kumbhar, a young (then aged 29) rural-born public worker. Bagal, whose father had been employed in the state service, was a Maratha with a passionate commitment to the iconoclasm of the most militant wing of the Satyashodak Samaj. He expressed his ideas in public with a fiery style that attracted popular attention. Kumbhar, a Lingayat, was a less colourful figure but early gained a reputation as an effective organiser. When the agitation of 1937 became institutionalised in 1939 as the Kolhapur Praja Parishad, Bagal became that organisation's President and Kumbhar its General Secretary. Though Kumbhar, in particular, expressed sympathies toward the nationalist movement, the early Praja Parishad was essentially oriented to Kolhapur public life.

Both of these men, plus others who followed them, came out of those institutions which Shahu had founded to advance non-Brahmins educationally. Kumbhar, the son of a potter and small farmer, had received his BA in 1933 in Kolhapur; Bagal had been sent to Bombay under Shahu's patronage to study art. When they turned against the state government and formed the Praja Parishad in 1939, they were immediately placed in prison and were only released in 1940 in a general amnesty issued by Rajaram on the birth of his only child, a daughter.

A ban continued on their organisation, however, until early 1942 when a meeting of the group was allowed in the state. B G Kher, Congress Chief Minister of Bombay (during the period 1937-39 when the Congress co-operated with the British in running the province) presided at that meeting.¹⁴

Later in the same year, however, the 'Quit India' movement organised by Gandhi kindled a nationalist spirit throughout Bombay and sparked a following in some of the princely states. Nationalists like Kumbhar left Kolhapur and entered British India to work directly against British rule. The Praja Parishad seems to have functioned only fitfully in the state from this period until 1945-46, though it managed to control the Kolhapur municipality in elections held during this period. However, its internal unity was already in danger for Kumbhar clearly placed nationalism ahead of sectional advantage, whereas Bagal's loyalties were more equivocal. While sympathetic to Gandhianism, he placed a higher value on the autonomy of Kolhapur as

a non-Brahman state and more generally, the realisation of higher status for non-Brahmans in Indian society than upon national independence as such.

Still, at the time of Rajaram's death in 1940, the political equation in Kolhapur placed the Praja Parishad on one side and the princely regime on the other. (The Brahmins by then, it should be noted, had largely faded from the scene as a major political force.) The former drew support particularly from the urbanised-middle class (though its leaders had some ties with the rural population) — a class which the princely regime under Shahu had worked to foster. Though Bagal was a Maratha, Kumbhar and a number of others active in the Parishad came from the smaller religious communities or the CKPs. Indeed, the Parishad was organised earliest and most effectively in the more prosperous areas of the state (the north-east) where the Lingayats and Jains are concentrated. These communities had made particular use of the educational opportunities extended by Shahu and Rajaram during their regimes. When nationalist aspirations organised in the Congress by Gandhi began to filter into the Kolhapur area, members of these minorities were especially attracted to the Gandhian cause, possibly because of the mixture of Jain themes and aspirations to egalitarianism found in Gandhian ideology.

In sum, the reforms initiated under Shahu and continued by Rajaram made it difficult for the Praja Parishad to reach over the heads of the rulers to the Maratha and lower-status Hindu rural masses, though the Parishad did reach sections of the Jain and Lingayat communities in the rural areas and some of the urbanised Marathas, particularly in Kolhapur city. At least in the early years of the Parishad the state was unwilling to accommodate the movement and the Parishad was not strong enough to challenge the regime's base. Instead, the regime made use of the more 'established' Maratha class of landowners and non-Brahman government servants to run the administration and to hold the elective posts filled by narrow franchise for the Kolhapur municipality and the Kolhapur state assembly. Rajaram did attempt in 1939 to counter some of the appeal of the Parishad by creating a Rayat Sabha (Peasants Association) to act as an organisational front for the regime and the Sabha went so far as to put forward a few 'demands' which

would have modified governmental arrangements slightly.¹⁵ However, it was not able to set an independent course. The Sabha lasted only about a year and collapsed with the death of Rajaram in 1940.

The Kolhapuri Brand of Nationalism and Indian Independence

Rajaram's death, occurring at a time when there was no male heir to the *gadi*, gave the British an opportunity to choose a child from Nagpur as heir and to impose a regency which lasted until 1946, when the child died. The period of the regency coincided with the war and permitted the British Resident a certain freedom of action in associating the state with the war effort at a time when the Congress was opposing that effort in British India — Little substantial change occurred in domestic politics in Kolhapur during this period.¹⁶

Upon the death of the child heir to the throne, a dispute developed over the succession. The man finally recognised by the British, Shahji, was the son of Rajaram's sister and ruler of the small state of Dewas Senior,¹⁷ but his choice was intensely disliked by many members of the Kolhapuri elite including Rajaram's widows.¹⁸ They, however, finally agreed to his succession, allegedly with the understanding that the eventual succession to Shahji would allow some recognition of the interests of Rajaram's daughter, Padmaraje, particularly if she had a son. While this dynastic dispute was essentially conducted within the nobility, events by 1967 as we shall later see, were to make it a matter of concern to the public of Kolhapur and to the political leadership of the state of Maharashtra. In 1946, the choice of Shahji was apparently not a popular one. At the same time, there was much sympathy for Padmaraje, the young daughter of the late Rajaram and through her for the preservation of the revered Shahu's direct line.

The fact that the new ruler was neither popular among the Maratha nobility attached to the court nor among the masses, made the task of organising demands for popular participation in government easier. Bagal and his co-workers were able to come forward in 1946 to solidify a wider following for the Parishad, especially among Marathas in the city of Kolhapur. He received support in this endeavour from leaders of the non-Brahman movement in Bombay like

Keshavrao Jedhe and Shankarrao More, who shared many of his anti-Brahman sentiments. Kumbhar, who did not return to Kolhapur politics until 1947, thus found himself in a somewhat weakened position within the Parishad as jockeying for leadership of that body occurred.¹⁹

As we noted earlier, there were already tensions between Bagal and Kumbhar by 1942 as Kumbhar chose to follow more nationalistic commitments outside Kolhapur while Bagal's commitments were within the district and to a politics which gave priority to righting the injustices done to the non-Brahmans in the past. Left to their own devices, these leaders might have followed a number of different courses, but by early 1947 they had become participants in a series of political conflicts which extended both their activities and the political life of the state into regional and national politics.

At first glance, it might be appropriate to simply link Kumbhar with the generation of all-India nationalists who directed the Indian National Congress under Gandhi. In many respects, this is a correct assessment of the situation. However, it is notable that at the top leadership level, men like Gandhi and, particularly, Vallabhbhai Patel were Gujaratis who represented certain economic and regional interests in politics of western India. Within Bombay state in particular Patel's political following was strongest in Gujarat and in Bombay city among the business classes. It was less secure in the Marathi-speaking region. Within Maharashtra, furthermore, divisions existed between Brahman political activists who dominated the state party organisation until the late 1930s and the non-Brahmans led by men like Jedhe and More who demanded a more effective voice in the Congress. Thus, when Kumbhar associated himself with the nationalist-Gujarati wing of the Congress and Bagal aligned himself with the Maharashtrian non-Brahman section of the organisation, they were following courses of action which both conformed to conceptions of where they felt the interests of Kolhapur lay and where their own chances for personal political advantage were likely to be greater.

Into this emerging rivalry, Shahji threw a tactical bone. After forming a first ministry which had little public support, he sought in late 1947 to construct a second body of ministers which would be better able to rally public backing for a policy of state

autonomy — a policy which would be of greatest advantage to himself and also, possibly, to the state in coping with the consequences of Indian independence.²⁰ It is alleged that he hoped to fend off merger of the state into what had been British India for time by gaining the backing of a 'arishad ministry.²¹ In the original understanding about the ministry, Bagal was to be Prime Minister of the state and Kumbhar was to hold a major portfolio. However, Kumbhar demanded the post of Home Minister in the new Cabinet, which was expected normally to go to the Prime Minister. The two leaders of the Parishad split on this issue and rather than concede to each other or compromise, neither man entered the ministry. Instead, Vasantrao Bagal — Madhavrao's brother and a lawyer who had been a rather mild supporter of the Parishad²² — assumed the Prime Minister's post. The new ministry was a mixed bag. It included several who were loyal to Shahji or to no single group as well as a few representatives from the Parishad.

A series of events in 1947-48, none of which were the result of causes internal to Kolhapur, further exacerbated relations between Bagal and Kumbhar with results that were to affect district politics in Kolhapur for the next twenty years. Three of these events are particularly notable: continuing conflict over the merger issue; the assassination of Gandhi and its consequences; and the creation of the Peasants and Workers Party (PWP) in Maharashtra.

Although negotiations over the merger of Kolhapur into Bombay state began even before independence, Shahji temporised about the merger of his state. Pressures from the Kumbhar section of the Parishad in favour of the merger worked in the direction being sought by the national government, and particularly, by Patel, the Central Home Minister. On the other hand, as national independence approached and was realised, Bagal evidenced increasing reluctance to take Kolhapur into a Bombay state which he feared would be dominated by Bombay city and Gujarati economic and political interests. This was evident in early 1948, when Bagal's followers held a special meeting of the Parishad at which a resolution was passed stating that they wanted merger with a separate Marathi-speaking state of Maharashtra but not with the Bombay state

that existed. Until Maharashtra was created, these followers of Bagal called for the retention of Kolhapur's distinctiveness as a political unit. (Though it may now be too long after the fact to be trustworthy, Kumbhar's supporters claim that his demand for the Kolhapur Home Ministry in 1947 reflected his desire to prevent Bagal from obstructing the efforts of the notional government to effect a rapid merger of Kolhapur into Bombay.) Something of the character of this dispute can be seen in Bagal's attacks on Kumbhar and his close associate, M C Shresthi, at the time. Bagal was quoted in a local newspaper as having said that Kumbhar "could not get power in the [Kolhapur] state or state assembly and hence he is trying hard for the merger of Kolhapur state. If he or his community man [Shresthi] would have gotten some powers he would not have started an agitation for the merger of Kolhapur state. He is communal minded. Jains and Lingayats hate the masses."²³ This statement was followed a month later by a resolution opposing merger passed by the Praja Parishad under Bagal's direction.²⁴

With the assassination of Gandhi, as in other parts of western Maharashtra, there was arson and looting on a large scale directed against Brahmins. While Vasantrao Bagal and many leading Maratha politicians in Kolhapur, were not directly implicated, Madhavrao Bagal and some outspoken non-Brahman figures in Kolhapur were imprisoned. They were later released and formal charges were never brought,²⁵ but the riots provided the Central government with an opportunity to abolish the prince's ministry and to impose direct rule over the state from the Centre.²⁶ It was during this interim period that the measures toward full integration of the state into Bombay were completed.²⁷ The series of steps taken up to the merger and particularly the sweeping manner in which the arrests were carried out left a bitterness in Kolhapur that has lingered on long after, especially among Maratha political activists in the city.

The 1947-48 period witnessed the attempts of Vallabhbhai Patel's forces within the Congress to gain control over the party organisation at the national and state levels. Resistance in Maharashtra to this effort at dominance by the leaders associated with Patel in Bombay state came from non-Brahman leaders like Jedhe and More, who had organised a Peasants

and Workers League within the Congress by 1947. When, in 1948, the national party promulgated a new constitution which called for an end to all autonomous "parties" within the Congress (a move aimed nationally against the Nehru-inclined Socialists),²⁸ Jedhe's League also came in for criticism. Rather than abolish that League, More and Jedhe withdrew from the Congress and formed their own Peasants and Workers Party (PWP) in Maharashtra — a party which took on some of the colouration of the earlier non-Brahman movement in the region. In Kolhapur they received the backing of Bagal and his supporters.²⁹

Bagal's affinity for the PWP cleared the way for Kumbhar to become the chief leader of the Congress organisation in the district, though a Congress organisation would have to be built from the ground up. His personal friendships with Patel and Kher, who had again emerged as Chief Minister of Bombay, made his task of gaining Bombay state government recognition for his activities all the easier. As a result, upon formal merger of Kolhapur into Bombay in early 1949 and its conversion into a district, a District Congress Committee (DCC) was established and Kumbhar became president of that body as well as a member of the All-India Congress Committee (AICC). Since Kolhapur had not been part of India when the national and provincial elections preparing the way for independence were held in 1946, the national government had to nominate members of the Constituent Assembly (which doubled as a provisional parliament) and in January 1950 Kumbhar was designated a member of that body. It is also contended that he had a major voice in the selection of other members of parliament and members of the Bombay legislative assembly. Among the latter was Shresthi, Kumbhar's close associate.³⁰

(To be Continued)

Notes

- 1 For an examination of the structures which have been employed during the past decade to channel the ambitions of local political actors in local and regional politics in western India, see my "Making It" in Maharashtra: Ambition and Opportunity Structures in Indian District Politics", mimeo. That paper develops further some of the structural aspects of the argument introduced here.

- 2 The major sources of material included in the following section are A B Latthe, "Memoirs of His Highness Shri Shahu Chhatrapati Maharaj of Kolhapur", Volumes I and II, Times Press, Bombay, 1924 and Chandra Y Mudaliar, "The Brahman-non-Brahman Movement under Shahu Maharaj", paper presented to the Maharashtra Studies Conference, Philadelphia, May 5-7, 1972. For the non-Brahman movement more generally, see the forthcoming dissertation by Gail Omvedt, Department of Sociology, University of California at Berkeley, and various papers privately circulated by her.
- 3 The Bombay Government's *Gazetteer* for the 1880s expresses the lack of distinction in the following terms, "some families perhaps have an unusually large strain of northern or Rajput blood, but as a class Marathas cannot be distinguished from Marathi-speaking Deccan Kunbis with whom all eat and the poorer intermarry" (p 65), and again, "Kunbis are socially lower than Marathas. But a well-to-do Kunbi classes himself a Maratha and poor Marathas freely and openly marry with rich Kunbis" (p 89), *Gazetteer of Bombay*, XXIV: *Kolhapur* Government Central Press, Bombay, 1886.
- 4 According to the 1881 census, nearly 80 per cent of Brahman males were literate as compared to less than 11 per cent of the Jains and Lingayats and less than nine per cent of the other non-Brahman communities. Mudaliar, *op cit*, p 11.
- 5 The Moderates led by G K Gokhale, who had been born in Kolhapur, did evince a greater sympathy for the attempts of Shahu to raise the social position of the non-Brahmans than did Tilak's Extremists, who supported Shahu's opponents.
- 6 Thus, one scholar argues that the Government of Bombay encouraged Shahu's anti-Brahman movement as part of its "anti-sedition" campaign directed against the largely Brahman nationalists in the first two decades of the century. Personal communication, I F S Copland, July 18, 1972. A Kolhapur informant insists however that the extent of Shahu's support to the nationalist movement has not been adequately researched.
- 7 One of Shahu's associates founded a Weavers Co-operative Society in 1906 and an urban co-operative bank in 1911. Mudaliar, *op cit*, p 28.
- 8 Latthe, *op cit*, pp 508-11.
- 9 *Ibid*, p 499. In the last years of his life, Shahu gave considerable encouragement to B R Ambedkar in organising the untouchable community in Maharashtra.
- 10 For the non-Brahman movement in Madras during the same period, see Eugene F Irschick, "Politics and Social Conflict in South India:

- The Non-Brahmin Movement and Tamil Separatism 1916-1929", University of California Press, Berkeley and Los Angeles, 1969.
- 11 See, for example, Gail Omvedt, "The Non-Brahman Challenge in Poona: 1922-26", mimeo.
- 12 Bhaurao Patil, one of the first residents of the Jain hostel supported by Shahu, went on to become the founder of an educational society (the Rayat Shikshan Saunstha) which today operates hundreds of educational institutions in Western Maharashtra. That society has played a key role in raising the educational level of rural non-Brahmans. Political leaders like Y B Chavan, Balasaheb Desai, Yeshwantrao Mohite and other non-Kolhapur-born figures prominent today in the politics of Maharashtra were educated in Kolhapur while it was a centre for non-Brahman education in the region.
- 13 Gail Omvedt, "Non-Brahmans and Communists in Bombay," paper presented to the Maharashtra Studies Conference, Philadelphia, May 5-7, 1972 and published in *Economic and Political Weekly*, April 21 and 28, 1973.
- 14 The Indian National Congress at Gandhi's insistence discouraged the organisation of units of the party in the princely states. Instead, it chose to focus its attention on the British as the principle opposition to the nationalist movement. Informally, however, Congress, leaders from British India maintained contacts with groups inside the princely states and gave encouragement to those elements sympathetic to the Congress. In that connection, see Richard Sisson, "The Congress Party in Rajasthan" University of California Press, Berkeley and Los Angeles, 1972. During World War II, prominent Maratha leaders associated with the princely regime in Kolhapur tended to back the war effort as an opportunity to demonstrate the continuing loyalty of the Marathas — as a "martial race" — to the British.
- 15 Among its requests were an end to nominated members in the state assembly and in the Kolhapur municipality. A suggestion was also made that greater resources be invested in co-operative institutions by the Kolhapur government.
- 16 The Kolhapur municipal election of 1944 resulted in a Parishad victory that made Bagal president of that body. He resigned in August, 1946, in a dispute over the authority of the presidency.
- 17 For a picture of Shahji as a youth, see E M Forster, "The Hill of Devi".
- 18 Rajaram had two wives: Tarabai, the mother of Padmaraje, and Vijyamala, the younger wife. Tarabai acted as regent during the period of the adopted male heir.
- 19 The reasons for Kumbhar's late return to public view unclear, but

there was a price on his head as late as May, 1946 *Pudhari* (Kolhapur), May 1, 1946. He may also have been implicated in the well-known Jejuri temple incident in which certain nationalists seized treasures from a temple on behalf of their cause.

- 20 The first ministry lasted from about June, 1947 to November of the same year. The second was formed in late 1947.
- 21 Shahji's reluctance to merge Kolhapur into India is indicated in V P Menon, "The Story of the Integration of the Indian States, Orient Longmans, Bombay, 1956, pp 199-200.
- 22 Vasantrao had served as President of the Kolhapur municipality in 1941.
- 23 *Pudhari*, January 1, 1948.
- 24 *Pudhari*, February 28, 1948, reports that leaders of a Maratha caste organisation in Kolhapur called on the Marathas not to favour the merger of the state into Bombay and to back the Praja Parishad.
- 25 The reasons for holding Bagal and some of his co-workers in preventive detention have never been disclosed. They deny any complicity in anti-Brahman violence.
- 26 Central rule was declared on March 19, 1948. A few days later, the Administrator appointed by the Central government banned all *taalim sanghs* (wrestlers associations) from operating because they were seen as "dangerous to the peace" of Kolhapur. It is widely intimated that the *taalim sanghs*, with which a number of leading non-Brahman politicians were associated, were particularly active in the anti-Brahman violence.
- 27 Merger was announced on February 1, 1949 and further steps towards that end were taken on March 1. The state did not become a district unit till August of the same year, however.
- 28 Myron Weiner, "Party Politics in India", Princeton University Press, Princeton, 1957, pp 52-58.
- 29 After the government's announcement of the merger, Bagal backed the entry of his followers in the Praja Parishad into the PWP. In the same statement, he called upon his supporters to work for Samyukta Maharashtra. *Pudhari*, February 20, 1949.
- 30 In addition to being nominated as MLA, Shresti served on the nominated district local board, which acted as a local government for the rural part of the district. There were forty nominated members on that body which replaced the Kolhapur assembly. The Central Administrator appointed until conversion of state into a district of Bombay served as Chairman and Shresti as "non-official" President of the local board. *Pudhari*, July 30, 1949.

Political Economy of Indian Agriculture

What Is It All About?

Ranjit Sau

Recently there was a seminar in Calcutta on the political economy of Indian agriculture. This note is not a report on it; nor is it an appraisal thereof either. This note only presents the author's personal views and understanding on the scope and method of the political economy of Indian agriculture, activated as they were by the Calcutta seminar and crystallised in course of subsequent reflections.

All science would be superfluous if the outward appearance and the essence of things directly coincided.

Karl Marx

I

The Setting

VIEWED in the perspective of stagnation in the preceding half a century the performance of Indian agriculture, since the fifties, has been quite appreciable in terms of production. The official euphoria, jolted now and then though, culminated in the conclusion that just give only more inputs like fertiliser, insecticides, high-yielding variety seeds, and Indian agriculture would turn the corner. The pleasant corollary that inevitably followed from it was that the *status quo* in agrarian relations need not be much disturbed even in the wake of increasing demand for foodgrains due to industrialisation. The jump from the two-and-a-half per cent to five per cent growth rate is a matter of technology alone, supported meanwhile by a mixture of PL 480 and radical slogan-mongering.

Since the morrow of independence the feudal landlords and rich peasantry have been a powerful force. Whatever they have given, under pressure, as a concession for their own survival, they have got back many times over in other forms. In the fifties they gleefully bowed to Otto Schiller; in the sixties they have gladly prostrated at the feet of Theodore Schultz and Norman Borlaug.

Farm management surveys in the meantime threw up enough cud for economists to chew. Is the output per acre inversely related to farm size? If so, why? If not, why? What about the input per acre *vis-a-vis* farm size? Production functions galore are fitted to discover the returns to scale, to prescribe the ideal farm size, to sermonise on the input mix. In the din and bustle of regression coefficients, standard errors and correlation coefficients, economists did not hear the rumblings down below. Workers and

peasants, to them, were mere dim shadows from the far-away land, or just simple numbers for arithmetic exercise. Occasionally their per capita incomes had to be computed, but only to be fed into the regression equation.

Telangana, Kakdwip were too remote for the professor of economics — too isolated and incidental, too far from the ivory tower. The battle of the ballots was much nearer his heart, much more elegant, sophisticated and amenable to fancy analysis. In those days revolution seemed as far off as the von Neumann ray. But Srikakulam, Naxalbari are an entirely different matter: the professor stopped in the middle of deriving asymptotic properties of the von Neumann turnpike. Or, if he was performing the Chow test or inverting the Leontief matrix he said good-bye to it and got down to listen what was happening outside. Not sure what he was looking at, not able to understand what it was all about, not yet capable of disentangling the mass of phenomena to discover the essence of the situation, the professor was bewildered; but his zeal for knowing the world certainly surpassed his transient incapacity, and that zeal in turn was excelled by his desire to see the world change, change for the better.

Across the range of mountains in the north, in the vast sweep of another subcontinent a profound experiment, a historic transformation, is taking place. At this very moment, when the Indian peasant is pitifully trudging along behind a lonely furrow, millions of his like on the other side of the mountains, mightily united as one man, are taming the river, blossoming the desert. How can the Indian economist at this epic moment go on computing the marginal productivity of bullock labour, or of cow-dung! Cow-dung may be sacred, but its marginal productivity is no longer that much interesting!

Here, however, is a trap which the economist, well versed as he is in the

correspondence principle and comparative static analysis, is likely to fall into unless he is sufficiently alert. The two sides of the mountain are not simply two alternative steady-state equilibria, to be romantically compared, passionately evaluated, and wishfully chosen from. The transition from the one to the other is a historic process; and history does not repeat itself mechanically.

II

Political Economy

Political economy in the widest sense is the science of the laws governing the production and exchange of the material means of subsistence in human society.¹ The conditions under which men produce and exchange vary from country to country, and within each country again from generation to generation. Political economy therefore, cannot be the same for all countries and for all historical epochs; it is essentially a *historical* science. It deals with material which is historical, that is, constantly changing; it must first investigate the special laws of each individual stage in the evolution of production and exchange, and only when it has completed this investigation will it be able to establish the few quite general laws which hold good for production and exchange in general. The mode of production and exchange in a definite historical society, and the historical conditions which have given birth to this society, determine the mode of distribution of its products. Indeed, the laws which are valid for definite modes of production and forms of exchange hold good for all historical periods in which these modes of production and forms of exchange prevail.²

Political economy came into being as a natural result of the expansion of trade; at its birth it was a science of enrichment growing out of the merchants' envy and greed. Political economy in the days of mercantilism concerned itself with the art of ensuring

that at the end of each year exports should show a favourable balance over imports; and for the sake of this ridiculous illusion thousands of men have been slaughtered.³

The eighteenth century, the century of revolution, also revolutionised economics. But it was only half a revolution in that the eighteenth century political economy did not question the validity of private property; it only unfolded the laws of private property. The system of free trade based on Adam Smith's "Wealth of Nations" was of course an advance, and a necessary advance at that. It was necessary to overthrow the mercantile system with its monopolies and hindrances to trades, so that the true consequences of private property could come to light. It was necessary for all these petty, local and national considerations to recede into the background.⁴ It was necessary to purge economic relations of feudal taints in order to increase the productive forces and to give a new upsurge to industry and commerce. Economists like Smith and Ricardo had no other mission than that of showing how wealth is acquired in bourgeois production relations. Poverty is in their eyes merely the pang which accompanies every childbirth, in nature as in industry.⁵

Ricardo consciously makes the antagonism of class-interests, of wages and profits, of profits and rent, the starting point of his investigations, naively taking this antagonism for a social law of Nature. But by this start the science of bourgeois political economy had reached the limits beyond which it could not pass. Already in the lifetime of Ricardo, it was met by criticism in the person of Sismondi.⁶

The continental revolution of 1848-49 also left its impression on bourgeois political economy. With the claims of the proletariat no longer to be ignored, economists tried to harmonise the interests of capital and labour. Hence a shallow syncretism, of which John Stuart Mill is the best representative, noted for his attempt to reconcile irreconcilables.

Now comes Marx with the critique of the bourgeois political economy, a critical analysis of capitalist production, and in the process he lays the foundation of the Marxian political economy. Lenin advances the Marxian political economy further, by extending it to the era of imperialism and proletarian revolution.

Meanwhile, bourgeois political economy has got a shot in the arm, by the contribution of Keynes; it has got a fresh lease of life and has become

all the more retrograde, under the title of neoclassical economics. When imperialism is perpetrating its most savage attack on humanity in various parts of the world, it defies even simplest common sense how neoclassical economics could impute rationality, efficiency and optimality to the capitalist system. How can it gloss over the glaring contradictions of capitalism and live in the mystic world of perfect competition with consumer's sovereignty and the harmonious honeymoon of capital and labour, of the metropolis and the colonies and neo-colonies, of the exploiter and the exploited?

The professor of economics who is now groping towards Marxist-Leninist political economy has been typically a slave of neoclassical economics so long. The recent events in India and around the world have suddenly flashed in his eyes with all the dynamic impact of the apple which fell at the feet of Newton.

III

Method of Political Economy

Before Karl Marx, the method in political economy, as in every other science, was essentially metaphysical. Metaphysics looks upon phenomena as immutable and disconnected, as moving only under the action of external forces. It investigates only the most striking properties of an object and considers its different aspects either separately or in superficial, accidental connection.

Bourgeois economists express the relations of production, the division of labour, credit, money, etc., as fixed, immutable, eternal categories. They explain how production takes place in the above-mentioned relations, but what they do not explain is how these relations themselves are produced, that is, the historical movement which gave them birth.⁸ They investigate haphazardly selected facts and events, and then attempt to formulate laws of economic theory on the basis of such particular facts chosen at random from the universe of facts. For instance, production, as distinct from distribution, etc., is presented as governed by eternal laws which are independent of history.⁹ But facts cannot be artificially co-ordinated if their real, essential connections are ignored or distorted. As Marx says, "crass empiricism turns into false metaphysics, scholasticism, which toils painfully to deduce undeniable empirical phenomena by simple formal abstraction directly from the general law, or to show by cunning argument that they are in accordance with that law."¹⁰

A further example of crass empiricism and false metaphysics is the at-

tempt in neoclassical economics to deduce the theory of distribution according to marginal productivity from the statistically estimated Cobb-Douglas production function, no matter how high is the correlation coefficient.

As Engels defines it, the task of economic science is rather to show that the social abuses which have been developing are necessary consequences of the existing mode of production and at the same time also indications of its approaching dissolutions; and to reveal, within the already dissolving economic form of motion, the elements of the future new organisation of production and exchange which will put an end to these abuses.¹¹ And the only scientific method for this Marxist-Leninist political economy is the method of materialist dialectics. It is the direct opposite of Hegel's method even though it is based on a critical adaptation of it.¹²

The dialectical materialist method in political economy, as in every other science, consists of the doctrine of the unity and struggle of opposites. The splitting of a single whole and the cognition of its contradictory parts is the essence (one of the 'essentials', one of the principal, if not the principal, characteristics or features) of dialectics, observes Lenin. The condition for the knowledge of all processes of the world in their self-movement, in their spontaneous development, in their real life, is the knowledge of them as a unity of opposites. Development is the struggle of opposites.¹³

The production relations of every society form a whole; it is metaphysical to consider a subset of them in isolation from the whole. Economic categories are only the theoretical expressions, the abstractions of the social relations of production. These categories are as little eternal as the relations they express. They are historical and transitory products. Social relations are closely bound up with productive forces. In acquiring new productive forces men change their mode of production; and in changing their mode of production, in changing the way of earning their living, they change all their social relations. The same men who establish their social relations in conformity with their material productivity, produce also principles, ideas and categories, in conformity with their social relations.¹⁴

It is thus understandable why England in the eighteenth and nineteenth centuries with the emergence and development of capitalism produced the protagonists of bourgeois political economy, Smith, Ricardo and

Mill; why in the early nineteenth century the German professors, submerged as they were in the waters of feudalism, found it difficult to grasp the bourgeois political economy imported from England, and finally why today the Indian economists coming as they do from the upper middle class relish the delusions of neoclassical economics.

IV

Indian Agriculture

First of all, it is somewhat artificial to divide the economy into two sectors like agriculture and industry; and it is definitely illogical to treat agriculture in isolation from the totality of the productive sphere of the economy. However, the form of manifestation of the mode of production being different in agriculture as compared to industry it is admissible to focus attention on agriculture alone, of course keeping in full view the entire perspective. The process of development of agricultural capitalism, for example, is historically triggered off and reinforced by developments in industry.

One of the basic tasks of the Marxist-Leninist political economy of Indian agriculture is to identify and analyse the contradictions inherent in the development of agriculture in India. The contradictions are to be understood in the Marxian dialectical sense, as opposed to the metaphysical sense of Proudhon in the form of mere 'good side' and 'bad side', 'advantages' and 'drawbacks'.

The economic categories have to be scientifically defined, not just copied from the scriptures, for the categories themselves are historical and transitory products. The extent of capitalist development in Indian agriculture and its prospects in future are important questions in the context of class struggle. In order to analyse these questions the categories of wage-labour, commodity production, and so on, have to be carefully formulated. It is interesting to note that agricultural capitalism in recent times has advanced more in north-west India where the incidence of wage-labour was initially much lower rather than in the north-east where its incidence was relatively high. Furthermore, the so-called new agricultural technology with high-yielding varieties of seeds, etc., involves extensive use of machinery in agriculture which in turn generates a higher form of capitalist production relations. But on the other hand, in view of the requirements of labour at critical points, the farmers with the new technology prefer to use attached

labourers, or permanent labourers, rather than casual labourers. They even go to the extent of giving some land to the workers to keep them tied. Such phenomena may tend to give the impression of resurgence of semi-feudalism; but it would be too stereotyped an understanding of the situation.

The professor of economics would again fall prey to his neoclassical hangover, if he just compares the respective rates of profit of moneylending, of self-cultivation of land, and of leasing out of land; and then concludes that the owner of land would prefer self-cultivation should the rate of profit be highest in it. For these are not three, mutually exclusive, competitive, activities. The semi-feudal landlord may find it profitable for him to wield all the three modes of exploitation simultaneously, to the utter dismay of the neoclassical theory of marginal productivity of investment.

The poverty and exploitation of the masses of agricultural labourers and small cultivators may strike a chord of moral indignation at the heart of the professor. But it is only petty-bourgeois humanitarianism and philanthropy to sympathise and weep over it, not unknown since the days of Saint-Simon, Fourier, Owen and Proudhon. It is the task of the Marxist-Leninist political economy to show that the social abuses which have recently been developing are necessary consequences of the existing mode of production, but at the same time also indications of its approaching dissolution; and to reveal, within the already dissolving economic form of motion, the elements of the future new organisation of production and exchange which will put an end to those abuses.

With the differences in distribution, class differences emerge. Society divides into classes: the privileged and the dispossessed, the exploiters and the exploited, the rulers and the ruled; and the state from this stage onwards acquires the function of maintaining by force the conditions of existence and domination of the ruling class against the subject class.¹⁵ The Marxist-Leninist political economy of Indian agriculture therefore has to be concerned with the class relations in the country, and with the exercise of the machinery of state to protect, safeguard and promote the interests of the ruling classes in the shape of the terms of trade between industry and agriculture, between regions, between crops, and also in various other forms.

In the ultimate analysis class relations determine the direction and momentum of economic growth;

hence the alignment of classes and their interactions must be a core topic of the Marxist-Leninist political economy of Indian agriculture. As Lenin once said: the primary object of any study of the agrarian question is to establish the basic data for characterising the class substance of agrarian relations.

Now we come to the question of the place of such tools of analysis as mathematics and statistics in Marxist-Leninist political economy. Until the very recent past the use of mathematics in economics was considered by Marxian economists as a major concession, if not a surrender, to the bourgeois methodology. Kantarovitch's work on linear programming, for instance, had a difficult time getting recognition in the Soviet Union. The fundamental question really is whether mathematical abstractions are scientific abstractions. Scientific thinking, indeed, is "the process of a series of abstractions, the formation and development of concepts, laws, etc.". "Man cannot comprehend, reflect, mirror nature, as a whole, in its completeness, its 'immediate totality'; he can only eternally come closer to this, creating abstractions, concepts, laws, a scientific picture of the world."¹⁶

Evidently, for the sake of convenience, mathematical models indulge in abstractions which completely divorce them from reality. While scientific abstractions are a means of getting at the essence of an object, occasionally the abstractions of a mathematical model in effect lead to just the opposite. Such abstractions, such use of mathematics, is non-dialectical and hence inadvisable. But this should not be taken to imply that the very use of mathematics in economic analysis is always tantamount to a retreat to bourgeois economics; or more specifically, that the use of different calculus invariably means the acceptance of marginalism and neoclassical economics with all its ramifications. One must guard against such orthodox dogmatism.

The use of statistical inference in economic analysis belongs to a different group. The main danger with it is that it can quickly degenerate into crass empiricism, or what may be called correlation fetishism. Hegel warned against manipulations of facts for 'explanation' of theoretical propositions. He wrote in his "Science of Logic" that such 'adjustment' serves only "to disguise the trick of Cognition, which take up the data of experience one-sidedly (the only manner in which it could reach its simple definitions and formulas), and does away with refuta-

tion from experience by proposing and taking as valid experience not in its concrete totality but as an example, and only in that direction which is serviceable for the hypothesis and theory. Concrete experience being thus subordinated to the presupposed determination, the foundation of the theory is obscured, and is exhibited only from that side which is in conformity with the theory".

But, then, any tool of analysis can be misused; and powerful tools like mathematics and statistics can be equally powerfully misused. On the other hand, there is no analytical method which can never fail at the band of a crank or a crook.

By the same token one can argue that even though the premises and method of bourgeois political economy, classical as well as neoclassical, are metaphysical and hence reactionary all its tools of analysis are not *ipso facto* rendered unredeemable. Two examples may be cited in this connection: one, the production function and the other, the hypothesis of utility maximisation as such. Let us elaborate.

True, production function has been used as a particularly mischievous concept in neoclassical economics. There are instances where its abuse has reached the height of stupidity and notoriety.¹⁷ Nevertheless this function does not constitute the kernel of reaction in neoclassical economics. The existence of an aggregate production function, the degree of substitutability among the inputs, etc, have been questioned even by the staunchest defenders of neoclassical economics themselves. The bourgeois political economy would not be affected substantially even if the input coefficients are given to be fixed. The crux of the issue lies somewhere else, in its metaphysical view of society. Conversely, the admission of an aggregate production function with factor substitutability need not necessarily rob the Marxist-Leninist political economy of its scientific character, provided the method of analysis is materialist dialectical as it should be. The fact, however, remains that I am yet to see a Marxist-Leninist economic analysis relying explicitly on a production function as a purely, but compactly, descriptive device of technological possibilities, and shorn of its reactionary connotations.

Lastly, the hypothesis of utility maximisation *per se*. Yes, by association as well as intention, the school of marginal utility analysis has been in fact guilty of the crime of trying to impute rationality, efficiency and opti-

mality to the capitalist system while actually it possesses none. The consumer's sovereignty under capitalism is a notorious hypothesis in the face of reality where the capitalist system itself determines the taste, preferences and attitudes of the consumer. The Arrow-Debreu-Walras general equilibrium, premised as it is on utility-maximising consumers, is a futile attempt to invent harmony, and to overlook class contradictions under capitalism. Furthermore, the theory of demographic differentiation as developed by Chayanov¹⁸ with the calculus of utility maximisation by the peasant fails in its attempt to contradict the Marxist-Leninist theory of class differentiation among the peasantry. Elsewhere I have shown that Chayanov's theories of rent, interest and capital accumulation in a peasant farm are wrong, even granted his basic postulates.¹⁹

Still one wonders why a Marxist-Leninist analysis cannot have a premise of utility maximisation in certain specific cases. The disintegration of the middle peasantry into the ranks of capitalist farmers or proletariat under the impact of agricultural capitalism is an integral part of the Marxist-Leninist theory of peasant behaviour. Besides, the role of the middle peasantry in peasant rebellion and revolution in countries like India is a problem of paramount importance. In any case, if it is possible to analyse the process of disintegration of the middle peasantry under the hypothesis that a middle peasant tries as if to maximise the utility of his income balancing against it the disutility of his labour, over and above a minimum, subsistence income, there is no reason why this approach should be ruled out *a priori*. Obviously, such an analysis neither condones capitalism nor commits itself even unwittingly to the myth of consumer's sovereignty in a capitalist system. Nor does it follow the footsteps of Chayanov. Besides, its method appears to be fully materialist dialectical. It is also consistent with the spirit of what Baran and Sweezy say: "Taking from the bourgeois science everything that can be useful to the construction of a new society, it [the Marxist-Leninist political economy] must combat everything that is being used for the preservation of the old. As a variant of Marx's last thesis on Feuerbach might state: At the present time science is creating the conditions for changing the world; what matters, however, is the nature of the change for which it is used."²⁰

I need not even invoke here the

Leninist principle of modesty and self-criticism to simply say that this note is intended only to pose the relevant questions squarely; by no means does it aspire to say the last word on the subject. Cognition is an infinite process; and its trajectory is not always monotonic.

Notes

- 1 F Engels, *Anti-Duhring*, p 203.
- 2 *Ibid*, pp 203-4. See also Karl Marx, "The Poverty of Philosophy", pp 109-110.
- 3 Engels, "Outlines of a Critique of Political Economy", in Marx, "Economic and Philosophic Manuscripts of 1844", pp 175-76.
- 4 *Ibid*, pp 177-78.
- 5 Marx, "The Poverty of Philosophy", p 124.
- 6 Marx, "Capital", vol 1, p 14.
- 7 In his "A Contribution to the Critique of Political Economy", Marx says, "I examine the system of bourgeois economy." Marx again clearly identifies that the political economy of which "Capital" is a critique, is the bourgeois political economy that is the work of Smith, Ricardo and Mill among others. It is important to note that "Capital" is not a critique of every, or all, Political economy as such, any more than Marx's "Poverty of Philosophy" is a critique of all philosophy rather than of Proudhon's philosophy of poverty. Marx did proclaim the end of all political economy, but only of the bourgeois political economy.
- 8 Marx, "Poverty of Philosophy", p 104.
- 9 Marx, "A Contribution to the Critique of Political Economy", p 192.
- 10 Marx, "Theories of Surplus Value", Part I, p 89.
- 11 Engels, *Anti-Duhring*, p 207.
- 12 Cf. "My dialectic method is not only different from the Hegelian, but is its direct opposite". Marx, "Capital", vol I, p 19.
- 13 V I Lenin, "Collected Works", vol 38, p 360.
- 14 Marx, "The Poverty of Philosophy", pp 109-110.
- 15 Engels, *Anti-Duhring*, p 205.
- 16 Lenin, "Collected Works", vol 38, p 182. See also Marx, "Capital", Vol I, p 8.
- 17 See, for yet another instance, Peter Wiles (ed), "The Prediction of Communist Economic Performance" (1971), pp 331-38; for a review of it, see Ranjit Sau, "Crises of Crystal Gazers", *Economic and Political Weekly*.
- 18 "Theory of Peasant Economy" (ed) Daniel Thorner and others.
- 19 Ranjit Sau, "Chayanov on Kirsanov's Thresher" (mimeo).
- 20 Paul A Baran and Paul M Sweezy, "Economics of Two Worlds", in "On Political Economy and Econometrics: Essays in Honour of Oskar Lange", p 29.

FROM THE CHAIR



Chairman, Mr R G S Nairn's Review

The following is the address by the Chairman, Mr R G S Nairn, at the 47th Annual General Meeting held on May 14, 1973, at Calcutta.

I have pleasure in welcoming you to the 47th Annual General Meeting of the Company.

As the Director's Report and Accounts for the year ended 31st December, 1972, have been in your hands for some time, I should like, with your permission, to take them as read.

THE YEAR'S TRADING

Sales of Dunlop automotive tyres and tubes were lower than in 1971 because of serious production losses suffered at the Ambattur factory due to industrial unrest. This intensified the shortage of truck tyres in particular and a major part of our marketing effort during 1972 was directed at ensuring equitable distribution. Special steps had to be taken to ensure essential supplies for Defence and State Transport undertakings.

Sales of our Industrial Products exceeded those in the previous year, but the demand/supply gap in some products, particularly conveyor belting, widened further due to limitations in our manufacturing capacity.

EXPORTS

The bulk of our export earnings come from nylon truck tyres manufactured at our Ambattur factory. Special cycle tyres for the USA market are also manufactured at Ambattur. Extraordinary efforts had to be made on the export front to make up for the production losses at Ambattur. I am, therefore, particularly glad to inform you that we continued to be the largest exporter in the Tyre Industry in 1972 earning a total of Rs 3.22 crores. I feel I should mention here that this export achievement would not have been possible without the unstinting help we continued to receive from our associates in the UK through whom we enjoy the benefits of their world-wide organisation.

Our increasing expertise in international marketing also enabled us, as an Export House, to export a variety of goods made by small-scale manufacturers.

PRODUCTION

Production of automotive tyres and tubes at our Sahaganj factory in 1972 was marginally higher than in 1971 but the problems of power cuts and absenteeism continued.

At our Ambattur factory, we experienced production losses due to lock-outs on two occasions resulting from industrial unrest. A total of 84 working days were lost during the year.

Production of our Industrial Products at our Sahaganj factory was satisfactory.

PERSONNEL

At the Sahaganj factory, which worked without interruption during the year, a tripartite long-term agreement giving substantial benefits to the employees was signed with the recognised unions on 2nd May, 1972.

A tripartite long-term agreement was also signed at the Ambattur Factory on 17th May, 1972. This, unfortunately, was only after an interruption of work for 43 working days due to a stay-in strike and unruly activities by a section of the employees, followed by a lock-out. Work was again interrupted at this factory from 13th November, 1972, for similar reasons, resulting in the loss of 64 working days of which 41 days were lost during the year under review. The factory reopened from 29th January, 1973, and since then the labour situation at the factory has remained satisfactory.

In the Company's Calcutta offices an unrecognised splinter union, in its bid to obtain recognition, created industrial unrest during the year. Following a strike on 1st November, 1972,

and violent activities by the supporters of this union, the Company was compelled to declare a lock-out from 2nd November, 1972. The offices were reopened from 18th December, 1972, and since then the labour situation at the Company's offices in Calcutta has been normal.

It was unfortunate that your Company, in spite of its progressive labour policies, experienced industrial unrest during 1972 mainly due to inter-union and intra-union rivalries.

I sincerely hope that there will be no recurrence of the problems we experienced last year and that all employees will put in their best efforts in these difficult times to maximise output. Industry has to meet its social obligations. Similarly, labour should also appreciate their social responsibilities to maximise production and help to fully utilise scarce manufacturing resources.

PROFIT AND LOSS ACCOUNT

The inflationary trend in costs of raw materials continued during 1972 and personnel costs also increased substantially. One of our problems is the freedom on the part of most of our raw material supplies to increase their prices without obtaining the Government approval that the Tyre Industry requires.

The last price increase that was agreed by Government for automotive tyres and tubes was in November, 1968. Since 1968, the cost of production of automotive tyres and tubes has increased by approximately 11% up to the end of 1972 for your Company. In addition, the last Central Government Budget will have the effect, in a full year, of further increasing raw material costs by as much as Rs 1.5 crores. A request for a price increase made early in 1971 by the Tyre Industry was referred to the Bureau of

Industrial Costs and Prices, and a decision is still awaited.

Following the completion of our expansion programme at Ambattur, your Company's production capacity was increased substantially and personnel and service facilities were geared to meet this increase. As a result of industrial unrest at the Ambattur factory this extra capacity was not utilised and the additional overhead costs, to which your Company was already committed, had to be absorbed during the year.

These factors have led to the very sharp decline in profit before tax for the year.

After providing for taxation, the balance of profit for 1972 was insufficient to maintain the rate of dividend which was paid on the Company's Ordinary shares for each of the past three years. After giving full consideration to the unusual circumstances affecting the trading results, and also bearing in mind the substantial earnings retained during past years, amounting to Rs 4.44 crores in the last 3 years alone, your Directors have transferred Rs 72.36 lakhs from General Reserve to make up the deficit.

MANUFACTURING CAPACITY

I have already mentioned the increasing truck tyre shortage in the market during 1972. From February this year an acute shortage of power in Tamil Nadu due to a poor monsoon has resulted in a power cut of 75 per cent at our Ambattur factory. We have made every effort to minimise the effect of this power cut by taking emergency measures, including the supply of rubber compound from our Sahaganj factory. Nevertheless, we are losing very large quantities of truck tyres each month. You can well imagine the market situation that is likely to develop in this essential commodity for which there was already a shortage at the beginning of the year.

We hope that supply of normal power will be available in Tamil Nadu from July after the monsoon sets in.

Although the present situation in Tamil Nadu is abnormal, it highlights the need to create adequate capacity for automotive tyres and tubes. Road Transport is an essential part of the infra-structure and a severe shortage of automotive tyres could have major economic implications. No matter how effective the Tyre Companies are in controlling distribution this can at best only alleviate a severe shortage situation marginally. Ultimately, sufficient installed capacity, and production, must be available to ensure adequate supply of an essential product like automotive tyres

for the domestic market, with a surplus available to meet the varying and more exacting requirements for export.

RESEARCH AND DEVELOPMENT

Your Company is fully conscious of its responsibility to give increasing emphasis to research and development. It will interest you to know that we employ around 300 scientific and technical personnel of whom about 50 per cent work on development projects. The development aspect of our business is being given greater emphasis at all levels of our management structure. This applies not only to R & D activities in terms of product design, equipment development and materials development, but also in the development of control systems applying the latest computer techniques for which, incidentally, there are export possibilities. I mentioned last year that we are establishing a Research and Development Centre for cycle tyres and tubes. Apart from serving our own needs, this will enable us to sell know-how to companies in the Dunlop Group world-wide. We plan to complete this project during 1973/74.

At the same time, I should give you a perspective of the scale of our R & D operation in relation to the total R & D activity of the major international tyre companies. Even if we spend a crore of rupees per annum during the next few years on R & D, it will be insignificant in comparison with the expenditure by the international companies. For example, the Dunlop/Pirelli research organisation spends well over Rs 30 crores per annum. And to this amount must be added the enormous expenditure by international raw materials suppliers, equipment suppliers, vehicle manufacturers and allied industries. Regardless of the competence of our local R & D team, the comparable expenditures just do not permit us to achieve results which would ensure competitiveness at the international level.

It is for this reason that we have continually urged the Government to renew our Technical Aid Agreement with Dunlop UK, which was terminated in end-1969. We have just received a letter from Government informing us of the terms on which they are prepared to agree to the renewal of this Agreement. These are at an extremely low level by international standards for the type of knowhow that we seek to facilitate development of our own indigenous R & D activities. We have referred the matter to our collaborators and are awaiting their comments.

FUTURE PROSPECTS

We have had set-backs last year, and

1973 is not likely to be a satisfactory year because of the production losses that are inevitable at the Ambattur factory due to the present drastic power cut. However, I feel that these set-backs are short term and, I therefore, view the future with optimism.

After a full enquiry by the Monopolies and Restrictive Trade Practices Commission, and based on its recommendations, the Government has issued a letter of intent to us against our proposals for the manufacture of steel cord and textile reinforced conveyor belting and fan and V-belts at Goa. We are now closely examining the details of this project. One of the clauses in the letter of intent asks us to purchase India Tyre and Rubber Company (India) Private Limited, and this is also being examined.

To meet the growing market shortage, we submitted a proposal to Government to increase capacity at our Ambattur factory by 200,000 truck tyres and tubes. I am pleased to be able to inform you that we have just received a letter of intent for this project.

A letter of intent from the Government for the manufacture of 50,000 dozen Tennis Balls is being progressed. These will be manufactured at the Sahaganj factory.

We have spent large sums of money on re-equipment at the Sahaganj factory and our future plans involve modernisation wherever necessary to meet future market demands.

On the opposite side of the coin, there will be the increasing problem of maintaining profitability in the face of continually rising costs. Although we are doing everything possible to improve efficiency and control expenses in every aspect of your Company's operations, the full impact of these rising costs can be offset only partially by such measures.

Your Company has always believed in allocating large funds for development, both in terms of man-power resources, and plant and equipment. To this must be added our increasing emphasis on R & D. This development expenditure is possible only if adequate surplus is generated. Therefore, I hope that the request to Government to permit a reasonable price increase for automotive tyres and tubes will be considered favourable in very near future.

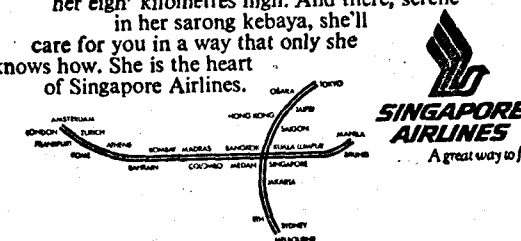
In conclusion, I would like to thank all our employees for the efforts they are making to enable a speedy recovery from our present temporary set-backs.

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

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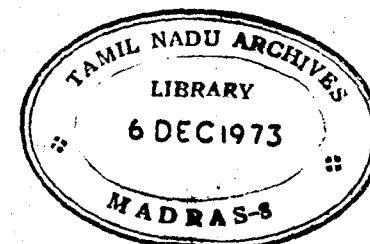
WEEKLY

A Sameeksha Trust Publication

Rs 1.50

Vol VIII No 22

June 2, 1973



R.R. NO. 1718/73

WHO KILLED FOODGRAIN TRADE TAKE-OVER ?

LABOUR INPUT ON SMALL FARMS

INDUSTRIAL RELATIONS IN PUBLIC SECTOR

MAHARASHTRA BANDH AND AFTER

CURRENCY CRISIS AND DOLLAR IMPERIALISM

MURDER TO ORDER IN BIHAR

CREDIT POLICY : HOW NOT TO DO IT

Participatory Planning!

DURING the past six months the Planning Commission has had discussions with the Parliamentary Consultative Committee on Planning, with state governments, with central ministries, with representatives of opposition parties—ranging from the Jan Sangh to the CPI(M)—and with numerous other leaders of opinion. Late last year the Cabinet discussed the draft of the Approach to the Fifth Plan in four lengthy sessions. The National Development Council too has had its say. Parliamentarians have had an opportunity to discuss the Approach document in both Houses.

On each of these occasions a number of participants have made major criticisms of the Approach paper—criticisms about the realism of assumptions such as a 5.5 per cent rate of growth and a 7 per cent rate of growth of exports, about the feasibility of lowering the consumption of the top 30 per cent without lowering their income, about what the price rise of the last two years means for the Rs 51,000-crore outlay figure, about the credibility of an exercise that begins by assuming an annual growth of 5 per cent for each of the Fourth Plan's last two years, about the extent to which the government's decisions (for example, regarding industrial licensing) diverged from what the Approach paper said was needed, about the airy-fairy passages regarding wages and incomes policy and labour relations . . . and so on and so forth. At the end of each of these sessions, the Minister for Planning and his colleagues in the Commission have thanked the participants profusely, have told them how useful their comments have been for the Commission and have assured them that each of their comments will be borne in mind by the Commission as it continues its work on the preparation of the Fifth Plan. And, if one is to believe the talk in Delhi, each of the participants—whether he be a member of the CPI(M) or the Jan Sangh, whether a Cabinet Minister or an ordinary parliamentarian—has left satisfied and content; each has left with the feeling that yes, indeed, the country at last has an open-minded Planning Commission.

This is public relations of a high order. The achievement in having charmed so many people seems all the more outstanding when one notices that the numerous comments, suggestions, criticisms, bits of advice, tips of wisdom and words of wit have not made the slightest difference to the Approach paper. Not a single assumption has been altered, not a decision been changed, not a policy clarified since the end of October when these "consultations" began. So what we are witnessing is not just public relations of a high order. It is cynicism of a very high order too: the belief that all that the participants want is to be invited to meetings, to hear their own voices, to be treated to a lunch or two, to be thanked profusely and to be complimented lavishly for their insights; and a conviction that none of them will read the next version of the paper to see if any of their comments has made a difference to the Plan.

Now we learn that leading economists too have had their say at two day-long meetings. The economists seem to have done better than the politicians. They came away not only after a lot of talk but also with a lot of paper. Among the documents that were distributed to them was "A Technical Note on the Approach to the Fifth Five-Year Plan of India". As a good technical note should be, this one is short on text and long on numbers. In addition to the usual cyclostyled tables it has 59 tables straight from the computer—each a formidable print-out, 14" x 11". The precedent of releasing information of this kind is indeed an excellent one and it is to be hoped that the Commission will continue to release technical information. Even among the innocent, however, candour is seldom complete. The note leaves unanswered most of the questions that have been raised in the last six months.

The broad outlines of the model are familiar by now: a consistency model revolving around a 66 x 66 input-output matrix. The one innovation is that, instead of having one vector for private consumption, the model has two. By this device it is able to take into account the effects on private consumption of redistributive policies in a mechanical sort of way. In a mechanical sort of way because surely the fairly massive redistribution of consumption that is contemplated in the model will—if it is ever carried out—affect private investment, the decisions of households to hold assets of different kinds, the availability of certain types of goods for exports, incentives to work, and so on. The model—a first attempt in this country to incorporate distributive assumptions into the conventional input-output consistency models—naturally does not go so far as to take account of these varied effects of the redistribution policies it advocates.

The principal conclusion of the model too is well known by now: that self-reliance, redistribution of consumption and rapid growth are compatible because

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ECONOMIC & POLITICAL WEEKLY

Skylark 284 Frere Road Bombay 400001

Phones 266072, 266073, 260192

Grams Econweekly

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the consumption basket of the poorer sections is less import intensive as well as less capital intensive. It is however a long jump from using the model to argue this general proposition to using it to argue that, indeed, we need only Rs 3,000 crores in gross aid over the Fifth Plan or that net aid (excluding interest) will indeed be pushed down to zero in 1978-79. The model is too blunt an instrument for establishing the veracity of such fine estimates.

Small changes in the co-efficients and in the assumptions about exogenous variables or a few alterations in some of the behavioural assumptions will alter considerably the estimates of variables like aid flows. Among the components of final demand, for instance, exports and public consumption are entirely exogenous. As for investment, the overall figure for five years is derived by multiplying the assumed change in GDP between 1978-79 and 1973-74 by an aggregate capital output ratio—a ratio whose estimate can obviously be adjusted by a few decimal points without anyone being able to question the adjustment. In regard to the other component of final demand, private consumption, the difference between the runs with redistribution and those without it depend largely on the assumptions one makes about the differences in the consumption patterns of different income classes. We are told that NSS data are available for 22 product groups and about a dozen expenditure classes. How has this information been translated into co-efficient for 66 product groups and 27 expenditure classes? There are vague hints of mysterious "special tabulations" but nothing more. Surely, as so much depends on these co-efficients the reader should have been told at least something about the assumptions on the basis of which these translations have been made. This is particularly so because, as is well known, the NSS data are not well suited for assessing the import-intensity or capital-intensity of the consumption of different expenditure classes. This is on account of two reasons. First, while NSS data are very detailed for agricultural commodities and those requiring little processing its coverage of consumer durables and manufactures in general—the very items for which consumption patterns of the rich and the poor are most dramatically different—is perfunctory and highly aggregated. Secondly, NSS coverage of the high income groups is notoriously deficient. In fact, one of the lessons that the quantitative exercises of this Note teach us is the urgent need to redefine the commodity categories and expenditure classes for the NSS rounds. For, the

country is concerned now, it is much less necessary to have expenditure details for 85 different agricultural commodities—including jowar and jowar atta, bajra and bajra atta, maize and maize atta, ragi and ragi atta, etc, various types of vegetables, pan (leaf) as distinct from pan supari and so on — than it is to have more details about manufactured consumer goods, in particular manufactured durables of various sorts. Apart from increasing the number of manufactured goods on which expenditure data are to be collected, the NSS should think of different ways of aggregating these goods into broad categories. We have traditionally aggregated commodities by looking at their final use: "transport equipment", or "residential houses". These schemes should now be supplemented by efforts to aggregate commodities by the similarity of their input structures. Then alone will the NSS data help us answer the questions that our planners say they are interested in.

These questions—about translating data from 22 product categories to 66 categories, from 12 expenditure classes to 27, about assumptions regarding exogenous variables and co-efficients—are not idle ones. The Note suggests that for a very large number of variables the authors of the model have had no better basis than projecting forward the trend of the past few years or assuming that the sectoral composition of 1965-66 will continue to hold or, in some cases, putting all their trust in something just as an act of faith, as in the case of the rate of growth of exports. Moreover, it was earlier reported that running the model with and without redistribution did not make much difference to the rates of growth of the 66 sectors. In October-November last year, when reports of these results had begun to trickle out, this invariance of the results to drastic redistribution had caused much comment. The explanation given was that at the level of aggregation at which the model was handling the economy one could not expect anything different: the rate of growth for "cotton textiles" as a whole may not vary much but everyone knew that once redistribution took place the types of cotton textiles that would be produced and their import content would be very different from what they would be without redistribution. The new rates in the preferred variant of the model are substantially different from the rates that were presented in September/October last year. The changes are attributed to "further scrutiny of the results". In many cases this new element—"further scrutiny

than redistribution. For it turns out that the difference between the old results and the new ones is more than the difference caused by the redistribution in, say, the old set of results. For this as well as other reasons, it is best not to take the first and second decimal places of the rates of growth too seriously. The planners have little control over developments in most of the sectors for which these finely adjusted rates of growth are being estimated or targeted. And even in the case of those sectors over which they may be presumed to have some control, they and the Ministries do not seem to have made up their minds as to what exactly they are aiming at. The thinking about fertilisers is a good case in point. The Approach paper published in January and this Technical Note suggest that the target for nitrogenous fertilisers in 1978-79 is to be 3.9 million tonnes of nitrogen. The Ministries of Agriculture and Petroleum and Chemicals have been telling whoever will listen (e.g., the Estimates Committee of Parliament) that the production target of nitrogenous fertilisers for 1978-79 is 5.2 million tonnes—and not 3.9 million tonnes. Similarly, one has to search very hard in Delhi to find someone who believes that we will really have an extra 61 million tonnes of coal in five years—as the Technical Note and the Approach paper assume we will.

In a situation such as the current one the principal function of numbers should be to highlight the magnitude of the effort that has to be made and to pinpoint the important policy decisions that have to be taken. Press reports in November last year had implied that in her address to the full meeting of the Planning Commission the Prime Minister had said that the Commission should draw up policy papers about matters on which decisions had to be taken urgently. Little seems to have been done on this front. In fact, the latest one hears on the subject is that the idea of framing policy papers is being altogether abandoned by the Commission.

Bombay Bandh

A Private Affair

A Correspondent writes:

CONSIDERING that he had organised it, George Fernandes, the Socialist Party and Hind Mazdoor Panchayat leader, had necessarily to claim that the Bombay bandh on May 25 had been a complete success. Nevertheless, the claim was not without some basis. Photographs published in newspapers the next day bore witness to the fact that life in the

of the city had indeed been brought to a halt.

How this came about was a different matter, however. First, Fernandes was able to keep BEST buses and taxis—he controls the unions of BEST workers and taxi-drivers—off the road, thus completely closing down public road transport in the city. Car owners too did not venture to take out their vehicles after the experience of the earlier bandh on May 16 when a large number of cars had been stoned and damaged. The sheer lack of the means of transport, rather than any sympathy for the objectives of the bandh, was thus a major factor responsible for a large number of people staying off work on May 25. If it was merely a test of his control of BEST workers and taxi-drivers, then George Fernandes may be said to have proved his point.

Second, an equally important, if unwitting, contribution to the success of the bandh came from the Shiv Sena which had opposed the bandh. The threats and counter-threats exchanged between the Shiv Sena, whose capacity for sparking off violence is taken very seriously indeed in Bombay city, and the organisers of the bandh created a general feeling that the day of the bandh would be marked by clashes and violence and this again persuaded a large number of people to stay away from work; some large business and commercial organisations even chose to formally close their establishments for the day. Such, then, being the factors making for the 'success' of the bandh, George Fernandes's claim that the bandh represented a massive vote of no-confidence by the people of Bombay against the Congress governments in Maharashtra and at the Centre has to be taken at rather less than its face value.

The more important question, however, relates to the value of the bandh as a political weapon. The bandh is the hartal of the freedom movement days under a new label. However, whereas there may have been a case for uniting the entire Indian people—industrialists, businessmen, petty traders, white-collar workers and industrial labour—against the British, one would have thought that today any political party with radical pretensions would see its task principally as that of sharpening the awareness of economic and social differences and antagonisms among the major groups in society. The bandh, on account of being addressed to the entire population of a city, on the other hand, creates a totally false sense of community of interest among these different groups. As if, say, the upper middle class, the industrial workers and the slum-dwellers of Bombay stood in the same relation-

ship *vis-a-vis* the government or shared a common stake, or lack of it, in the present political-economic system! And the way bandhs are organised, the results can be truly bizarre. For instance, it should surprise no one if it turns out that proportionately more car-owners, more shop-keepers, more restaurant-owners and more white-collar workers 'participated' in George Fernandes's bandh than did industrial workers. Surely, it would be ridiculous to suggest that these are the groups which have the most, or for that matter any, reason to be unhappy with the economic situation or with the government's policies. Quite a few of them have made a pretty penny for themselves out of the innumerable shortages and the inflationary price spiral.

This basic weakness of the instrument of the bandh apart, in the case of the Bombay bandh on May 25 its sponsors appeared to have deliberately decided not to make any use of it to heighten the industrial working class's awareness of its problem or even to give it any sense of special participation, let alone of leadership, in the bandh. Their refusal to make common cause with the communist parties which had organised the earlier bandh on May 16 testified to this. Further, processions and morchas of workers were explicitly forbidden by the sponsors on the bandh day; and no particular political activity among the city's working classes either preceded the bandh or has followed it. In fact, one suspects that even the BEST workers and the taxi-drivers regard participation in George Fernandes's Bombay bandhs as a private obligation they owe to him in return for the benefits that accrue to them as a result of the trade union organisation he provides them with.

The supposed 'success' of the May 25 bandh has reportedly inspired George Fernandes to think in terms of making a bid for the Lok Sabha seat from Bombay just vacated by R D Bhandare on his appointment as Governor. This is perhaps the most apt summing up of the purposes and consequences of the bandh.

Credit Policy

How Not to Do It

THE Reserve Bank, it may appear, has been at last goaded into doing something about the runaway expansion of commercial bank credit of over Rs 1,000 crores since the end of October 1972. It may also seem that the package of measures announced by the Bank this week is a particularly tough one, consisting as it does of increase in the

Bank rate from 6 per cent to 7 per cent, raising of banks' cash reserves from 3 per cent to 5 per cent, stepping up of the net liquidity ratio (NLR), which determines the banks' cost of borrowing from the Reserve Bank, from 37 per cent to 39 per cent and stipulation of a minimum interest rate of 10 per cent on bank advances, with some exemptions.

As a result of persistent deficit spending by the government and the unprecedented expansion of commercial bank credit, money supply has expanded by 16 per cent over the year. And this when there is acute shortage of a wide range of major consumer goods and industrial raw materials and the rise in the general price level over the year has been the highest on record. Even the Reserve Bank cannot keep up its eternal pretence that all the commercial bank credit has gone for "productive purposes". In his letter to commercial banks this week the Governor has been forced to admit that there has been "excessive use of bank credit, particularly for building up inventories".

However, if the Reserve Bank thinks that its latest measures will have any worthwhile impact on the monetary and price situation, it is likely to be proved wrong. For one thing, it has inexplicably waited for the busy season to run its full course before announcing its measures—clearly an instance of trying to close the stable doors after the horse has fled. Second, the measures that have been announced have little relevance to the current monetary situation, particularly the wild-fire expansion of commercial bank credit.

The stipulation of a minimum lending rate of 10 per cent on commercial bank advances may be deemed to be the most important of the Reserve Bank's measures. Commercial banks have been generally charging interest ranging from 9.5 per cent to 10.5 or 11 per cent. An increase of half a percentage point in the cost of borrowing over these levels is hardly likely to unduly diminish the profitability of stockpiling scarce commodities. The Reserve Bank's own studies on company finances brings out what a small proportion of total cost interest charges form—largely because of the low interest rates charged by public sector lending institutions. Besides, advances against some so-called 'sensitive' commodities like foodgrains, oilseeds and vegetable oils (including vanaspathi), sugar, gur and khandasari and cotton and kapas already attract interest at 12 per cent under the Reserve Bank's selective credit controls. There is little evidence to suggest that even this has significantly discouraged stockpiling of these com-

modities. As for the public sector borrowers, the stipulation of the minimum rate of 10 per cent may impinge on their cost structure, but is there any basis for assuming that the borrowing decisions of bodies like electricity boards and state industrial development corporations are influenced by the interest rate?

For all the mystique that still surrounds the Bank rate, the decision to raise it by one percentage point is unlikely to achieve very much. It has been pointed out that a Bank rate of 7 per cent is unprecedented in the monetary history of this country—as if it was the absolute level of the Bank rate that was material irrespective of the real cost of capital or prices of physical goods and services. That apart, in March the Reserve Bank had already raised the penal rate for banks' borrowing from the Reserve Bank for the initial one percentage point fall in the NLR from 6 per cent to 8 per cent. Despite the raising of the Bank rate to 7 per cent the penal rate has now been retained at 8 per cent, though the minimum NLR has been increased by 2 percentage points following the raising of the minimum cash reserve requirement.

The impounding of a part of banks' deposits implicit in the raising of the cash reserve, again, is unlikely to be effective on account of two interrelated factors: the fast rate of growth of banks' deposits and their relatively low credit-deposit ratios. The credit-deposit ratio for all banks is around 70 per cent today, whereas the banking industry has been used to ratios of around 80 per cent. At the current level of deposits of about Rs 8,800 crores, even after allowing for the impounding of about Rs 200 crores by the Reserve Bank, banks could lend another Rs 650 crores or so. Banks' borrowings from the Reserve Bank stood at Rs 122 crores on May 18, almost all of which must be against export and food procurement credit eligible for concessional refinancing irrespective of the NLR. Once banks are able to meet the statutory liquidity and net liquidity requirements, the impounding of deposits in the slack season would only amount to an additional outlet to commercial banks for investment of their surplus funds. Banks would only have to transfer a part of their investment in treasury bills to cash reserves with the Reserve Bank. The return of 4.75 per cent offered on these reserves is as good as the new 4 per cent yield on treasury bills or the 4.51 to 4.56 per cent yield on short-dated securities. As for the monetary impact of the impounding of deposits, given the extent of the government's recourse to the banking system recently, direct invest-

ment by commercial banks in government securities, including treasury bills, will have, other things being equal, the same expansionary influence on money supply as the banks' surrendering a part of their deposits to the Reserve Bank as cash reserves which the Reserve Bank, in turn, would lend to the government.

The more basic issue raised by the Reserve Bank's latest credit policy measures is that, faced with a difficult price and monetary situation, the Bank still has to fall back on influencing the overall availability and cost of commercial bank credit through use of conventional instruments like the Bank rate and the commercial banks' reserve ratios. In this respect, one may ask, what has been the precise gain from the nationalisation of the major commercial banks four years ago? Nationalisation of these banks, together with the control which the government already had over the long-term financial institutions, would, it had been claimed, make it possible for the government to ensure that the utilisation of the community's financial savings would conform to priorities laid down in the Plans. Implicit in this claim was the assumption that the government and the Reserve Bank would indicate to the nationalised banks a scheme of priorities with regard to the use of their resources and exercise sufficient direct control over their operations to make sure that these priorities were observed. The actual course of events since the nationalisation of the major banks, and in particular the runaway credit expansion in the last few months, have shown how completely misplaced this assumption was. In terms of the Reserve Bank's ability to influence the pattern, or even the pace, of credit expansion, the fact that the country's biggest commercial banks are now government-owned has clearly made no difference.

Not to talk of long-term credit planning, the Reserve Bank has failed to prevent the use of bank credit to stockpile commodities which have been known to be in short supply and the prices of which have been continuously rising. And this when the Bank operates a credit authorisation scheme under which it scrutinises and approves all large commercial bank advances which, among them, account for roughly two-thirds of total bank credit. Not unexpectedly, the accent of the credit authorisation scheme is on the narrow financial soundness of the advances and not on the rationale of use of bank funds in the larger context of the availability and prices of major goods and commodities. This indifference to the problem of use of bank finance to stockpile commodities in short supply is also evident from the fact that in the new statistical returns devised by the Reserve

Bank for collecting banking data from the commercial banks, the earlier practice of reporting security-wise information on bank advances has been dispensed with.

In a period of steep and continuous rise in prices, stockpiling of raw materials in short supply and withholding of supplies of finished goods from the market can become more profitable operations than normal production activity. There is no reason to believe, therefore, that even if the Reserve Bank's latest credit policy measures make a significant impact on the availability and cost of bank credit—a highly questionable assumption, as has been argued above—it is inventory-building which will be selectively discouraged and not other uses of bank finance.

Exchange Rates

Helpless before Dollar Imperialism

THE Deputies of the Committee of 20 on International Monetary Reform have gathered again in Washington to discuss the draft outline of a scheme of monetary reform. Their first three meetings generated more heat than light and, without even a semblance of a consensus emerging among the major developed countries, the latest round of discussions are unlikely to be more fruitful.

Central bank governors of the major industrial countries indicated at their recent monthly meeting at Basle that any fundamental reform of the international monetary system was still a long way off. Most of the governors were pessimistic about the chances of anything tangible emerging before the next annual meeting of the IMF at Nairobi in September. In the meantime, they were convinced that floating exchange rates were the best means of dealing with crises created by speculative capital flows. It is ironic that central bank governors and policy-makers in the developed countries who were only a few years ago opposed to a regime of even flexible exchange rates with bands wider than those permitted under the Bretton Woods system are now expressing their faith in floating exchange rates. The pendulum thus appears to have swung to the other extreme and we now hear paeans to the glories of floating exchange rates.

The admiration for floating exchange rates is not born out of any conviction about their merits but stems from the fact that the policy-makers in the developed countries find themselves helpless in the face of the basic ills plaguing the present international monetary sys-

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tem. With the collapse of the gold-dollar standard and the ever-growing US payments deficit—no end to which appears in sight even after two major dollar devaluations within a period of 14 months—footloose dollars amounting to a few hundred billion are roaming the world in search of a strong currency which would be able to maintain a stable exchange rate. A potentially more dangerous dimension was added to the problem when the US reportedly encouraged American multi-nationals to flood dollars into West Germany in the first half of February and again in March, first, to impose a second dollar devaluation and, then, to force the European countries to follow Japan in floating their currencies upwards. Given the weak bargaining position of the Europeans *vis-a-vis* the US on account of their military dependence on it, the European countries cannot seal their borders against unwanted US capital flows. They are fully aware of the consequences of the firm stand taken by the US in favour of free international capital flows which have helped the US to establish, as well as acquire already established, major industrial ventures in Europe. The central bankers of Europe and Japan have also realised at great cost to themselves that it is not possible to revert to a fixed exchange rate system without strong controls on capital movements. Thus the new-found love for floating exchange rates is more an expression of political helplessness against the new type of dollar imperialism of the US than a case of belated recognition of the truths propounded by Meade, Friedman, Johnson, *et al.*

That central bankers now have no policy option other than to keep their currencies floating does not mean that floating exchange rates will satisfactorily solve the problem of unwanted capital flows. Despite the fact that the trade position of the UK has not improved but has in fact worsened after June 1972, when the sterling started floating, the exchange rate for the sterling, which had at first drifted down from \$2.60 to nearly \$2.30, has gone up to very close to its old parity of \$2.60. The up and down swings of the floating sterling in the last 11 months were primarily the result of capital flows either way and not of changes in the competitive position of the UK. A question which those who are now arguing in favour of floating exchange rates have to answer is whether they would like the framework of international movement of goods and services be subjected to distortions arising from disruptive speculative capital flows. Once speculators learn how to operate in a

regime of floating rates, they will soon learn how to manipulate it to their advantage. If the world community does not want the international trade network to fall a victim to the distortions imposed by the far less important aspect of free capital flows, floating exchange rates will have to be replaced once again by the par value system.

In this context, it is time for countries like India to reconsider the wisdom of pegging their exchange rates to those of floating currencies like the sterling. So long as the sterling was drifting downwards, it was considered a blessing in disguise inasmuch as it amounted to a devaluation of the rupee. But now to allow the rupee to float upwards along with the sterling and appreciate in relation to other currencies shows sheer lack of initiative on the part of our policy-makers. Export industries are now passing through a phase of uncertainty due to the sudden appreciation of the sterling to which the rupee is pegged. Particularly, exports invoiced in dollar are reported to have been substantially affected. In the context of the domestic price spiral and the tight foreign exchange position, it would be a great pity if exports have to suffer on account of an exchange rate policy that does not respond quickly enough to changing external factors. Even if it is assumed that India does not have any option other than to float, it does not mean that the rupee has to float passively with the pound sterling without suitable adjustments in the exchange rate.

CPM

Cause for Anxiety

A Correspondent writes:

FOR those who still look to the CPM to provide leadership to the radical forces in the country, the recently ended Cochin conference of the party's trade union wing, the CITU, must have come as a stab of pain. After long deliberation on such diverse themes as unemployment, misuse of workers' provident fund monies and the ruling party's abuse of the state of emergency, the DIR and the MISA, all that the leadership was able to offer were a few innocuous statements on the present economic crisis and a vague outline of agit-prop work for party cadres. The CPM leaders evaded crucial questions like the role of the working class and its leadership in this deepening crisis with innocuous statements about the need to replace "the capitalist-landlord rule by a democratic regime led by the working class".

Perhaps none of this should really

have come as a surprise. For, barring its early adolescence, and especially after its electoral victory in West Bengal in 1967 and the spell in the secretariat in Calcutta, the CPM leadership has never betrayed much taste for radicalism. The Madurai Conference last year had provided the propping for the party's ideological pragmatism. At Madurai, the dissenting supporters of the non-parliamentary path were pushed aside and a "consensus" was forged in favour of joint action with "radical democratic forces". True, the General Secretary of the party, P Sundarayya, caused a mild flutter when, referring to the party's electoral debacle in West Bengal, he said that "the [election] outcome is the direct result of the days of legality of parliamentary politics and the complacent outlook generated by them". However, this was immediately followed by the clarification by Sundarayya that he was not holding up, even by inference, the non-parliamentary way as an alternative. All that he had intended to suggest was that "democracy was being subverted by the ruling class".

Of course, the CPM has its dilemmas. It cannot, for instance, abandon its radical postures, lest it alienate its cadres. The result is that the party leadership has to obfuscate its resolutions on various national and international questions by liberal recourse to semantics, while maintaining a rigid hold of the party organisation and gagging dissenting voices. How determined the gagging can be was seen at the Muzaffarpur Kisan Conference when the dissenters from the official line on the agrarian question, who included some of the foremost leaders of the party from Kerala and Punjab, were forced to stay away from the conference.

What has come to the CPM leadership's rescue appears to be the lack of a viable alternative political force. It is in this context that one suspects that the CPM leadership must be scanning reports of revival and regrouping of Naxalites with almost as much anxiety as the Congress itself. The CPM cadres, after their experience of the last three years when they allowed themselves to be used against the Naxalites only to find that they were to be the next victims of the police and the government, may be rather less willing to engage in another internecine campaign of annihilation against the Naxalites at the bidding of their party leaders.

LIC and PNB Ltd

Helpful Advice

THE directors of Punjab National Bank Ltd has stated in their annual report

for 1971, the latest available, that "the company has been legally advised that in making advances or loans or in discounting bills, the provisions of Section 293(1)(c) of the Companies Act would not be contravened". The Section in question only requires the board of directors of a company to take the approval of the shareholders at a general meeting before launching on such activities. It is not known if this formality was observed by PNB Ltd, but the Jains, commanding as they do the majority of the voting rights, have evidently lost no sleep over this technicality. PNB Ltd has placed deposits and made loans and advances. It has also formed subsidiaries—namely, Punjab Properties, which has acquired land in Delhi, Ganga Alloy Steel and Punjab Mercantile and Trading.

The questions that arise are: is PNB Ltd, which is extending loans, a banking company? If it is, can it have subsidiaries? If it is not a banking company, can it make loans and advances? Is the legal advice obtained by the Jains acceptable to the Reserve Bank, the Banking Department of the Finance Ministry and the Company Affairs Department?

It is not in the matter of legal advice alone that the Jains have been fortunate. They got a firm of auditors to assess the price that they should pay to minority shareholders of PNB Ltd who wished to exercise their cash option. And, believe it or not, the independent evaluation showed that the shares were worth just Rs 33 against the compensation of Rs 51 received by PNB Ltd, or just 65 per cent of what the government had paid for the shares. LIC took objection to this and persuaded the Jains—the auditors' evaluation notwithstanding—to raise their offer to the minority shareholders to Rs 40, thus saving these shareholders from a loss of about Rs 70 lakhs. Even so there is doubt whether the new price of Rs 40 still does not constitute an underpayment. It has been pointed out that at this price PNB Ltd shareholders would get 78.4 per cent of the compensation per share received by the company against 72.6 per cent received by shareholders of Union Bank, 71.6 per cent received by shareholders of Canara Bank and 77.1 per cent received by shareholders of Bank of India. On the other hand, shareholders of Central Bank did manage to get 81.5 per cent and those of Bank of Maharashtra 84.2 per cent of the compensation per share.

It was suggested in these columns that shareholders of PNB Ltd should get Rs 43 or at any rate Rs 42 per share ("Fruitful Controversy", April 28,

p 772). The compensation received by PNB Ltd per share was Rs 51. From this should be deducted Rs 3.40 per share for dividend paid out of reserves till 1971. The loss from sale of compensation bonds may be assumed to be Rs 1.80 per share. The net value per share would thus be Rs 45.80. There is a further deduction of Rs 4 per share, being estimated capital gains tax liability. There is no knowing if this liability has been overestimated, the estimate having been made by the company's auditors. But even after all these deductions, the cash option per share works out to Rs 41.80. Accountancy is a tricky business: other calculations have shown the cash option at Rs 41.62 and Rs 41.51 per share. But even taking the lowest of these estimates, namely, Rs 41.51 per share against the Rs 40 now offered, there is a clear underpayment of Rs 1.51 per share or about Rs 15 lakhs on a million shares. This gain to the Jains arises because if shareholders, LIC, UTI or anyone else sought to take the company into liquidation, the proceedings would go on for years. The ultimate blackmail thus comes from the law.

This is not the end of the story of underpayment. The cash option offer by PNB Ltd of Rs 40 per share is exclusive of dividend for 1972 and dividend for the period till the payment is actually made. It now turns out that the dividend for 1972, mentioned at Rs 2.20 when the cash option offered was Rs 35.80 per share, is likely to be pared. Such paring will also apply to dividend for the period after 1972. The justification for the dividend reduction would naturally be the lower profit from 1972 onwards. Why profits have declined after 1971 is not difficult to divine. We have LIC's public statement that the investments made by the PNB Ltd may not have been in the best interest of the shareholders. But not in the best interest of which shareholders? Not the Jains, surely?

Bengalis, Biharis and POWs

Unpacking the Package

THE police roundup of Bengalis stranded in Pakistan and the subsequent introduction of the POW trials issue at the International Court of Justice by Islamabad could be taken at face value and seen as an obvious means of pressurising Dacca and Delhi to release the Pakistani POWs and to soft-pedal the impending trials of the 195 POWs who have been arraigned on criminal charges. Islamabad's thought process may well envisage that the enclosure of Bengali

civilians with barbed wire or their incarceration in police lockups would raise enough of an uproar in Bangladesh to cause the Bangladesh and Indian governments to release the POWs, which could quickly be followed by the repatriation of the Bengalis in Pakistan, as Islamabad would have no use for them once it got back the POWs. But this scenario would probably be considered as too optimistic by Pakistan's own reckoning. After having held the POWs for 17 months, Delhi is unlikely to hand them over without having anything to show in exchange.

It is, therefore, possible that Bhutto and his advisers are planning to spring a surprise on Delhi and Dacca and seize the initiative by rounding up the Bengalis scattered all over Pakistan and then declaring that they will be repatriated to Bangladesh unconditionally. This would have a most discomfiting effect on Dacca and Delhi and could also create tensions between the two. Once the Bengalis are back in Bangladesh, India would find it even more inconvenient to hold on the prisoners for Dacca's sake, though it is possible that the latter would agree to their release after the Bengalis have been returned. On the other hand, the case for holding on to the POWs could be strengthened—in Dacca's view—as the POWs could then be regarded as a means of bargaining for the simultaneous handing over to Pakistan of the POWs together with a large number of Biharis. Delhi would then again be carrying the can for Dacca. And indefinitely too, as Bhutto has no intention of further alienating potential Sindhi nationalists by importing more of the Urdu-speaking groups against whom the riots last year in Karachi, Hyderabad and other towns in Sindh were directed.

To forestall any such unilateral Pakistani move which could place India in an unenviable position, it would be prudent for Delhi to start negotiating with Islamabad—if possible with Dacca's consent and if need be, without for a two-sided package deal rather than the three-cornered one which has already been offered. The negotiations should be over the return of the POWs and the Bengalis to their homelands. For the moment, there is little that can be done for the Biharis except to leave them where they are and persuade Dacca to treat them with some compassion. Perhaps, it could also be suggested to Pakistan that it would be possible for India and Bangladesh to keep that Bihari issue in abeyance if Pakistan were to withdraw the POW trials issue from the International Court of Justice.

Thicker Denier, Thinner Margin

Hansavivek

BARODA RAYON's letter of intent for the expansion of rayon yarn capacity has been revalidated. The company has applied for an import licence for the proposed cellophane plant and also expects to receive soon a letter of intent for manufacture of nylon tyre cord. The company has submitted a petition to the Gujarat High Court for sanction of the proposed scheme of merger of Gujarat Polyamides with it. Meanwhile, the company's profit-margins suffered considerable deterioration last year. Despite the shortage of a number of vital materials and difficulties of transportation, particularly by rail, production was maintained at the previous year's level on 100 denier basis. Net sales were some 30 per cent higher, but gross profit slipped by 24 per cent. It is stated that the company has lost much of its hold on the finer denier market owing to keen competition from big manufacturers. It had to go in for thicker deniers, which offer thinner margins compared

to the finer deniers. Besides, the company's contribution under the voluntary price and distribution scheme, agreed to between the spinners and weavers, went up from 50 per cent to 57.62 per cent of the production on account of the revised agreement effective from January 1972. The company also continues to supply upto 10 per cent of production at a "highly concessional rate" against the export of art silk fabrics. The management is concerned over the increase in manufacturing cost arising from rise in wages and cost of raw materials, coal and services. The turbine of the power plant had to undergo heavy repairs, which cost the company over Rs 8 lakhs last year.

Commenting on the current year's prospects, the directors say that the concession in excise duty enjoyed by the smaller units for the last 5 years has been withdrawn in the last budget. Import duty on wood pulp has been raised along with duties on sulphur and spare

parts that are being imported. All these factors would further raise cost of production. It is intended to refer the incidence of this increase in cost to an independent firm of auditors under the voluntary distribution scheme. Meanwhile, a fresh charter of demands has been received by the company from the employees. This too will increase the wage bill.

USHA MARTIN BLACK (WIRE ROPES) is setting up a unit at Bangalore for the manufacture of wire drawing and allied machines. The company's industrial licence for manufacturing 7,200 tonnes of steel wire and wire ropes on a double-shift basis has been endorsed by government to allow production of 10,800 tonnes per annum on three-shift working. Part of the imported plant and equipment required for the manufacture of fine wire ropes has been already received. These expansion and diversification projects involve a capital outlay of Rs 210 lakhs, a part of which is proposed to be raised by an issue of 2,36,833 equity shares of Rs 10 each at a premium of Rs 2.50 per share and 20,000 cumulative redeemable 'B' pre-

The Week's Companies

(Rs in lakhs)

	Baroda Rayon		Usha Martin Black		Laxmi Vishnu		Food Specialities	
	Latest Year	Last Year	Latest Year	Last Year	Latest Year	Last Year	Latest Year	Last Year
	31-12-72	31-12-71	31-12-72	31-12-71	31-12-72	31-12-71	31-12-72	31-12-71
Paid-up capital	478	478	79	79	121	121	185	185
Reserves	311	311	178	148	109	64	145	123
Borrowings	96	108	262	268	318	423	278	312
of which Term borrowings	31	36	102	111	39	45	101	100
Gross fixed assets	1095	1076	356	327	645	602	368	351
Net fixed assets	513	527	241	228	211	188	209	196
Investments	89	89	10	4	—	—	1	1
Current liabilities	73	73	165	80	226	177	136	168
Current assets	355	354	433	342	563	597	534	592
Stocks	248	246	250	227	358	388	225	272
Book debts	92	101	142	105	199	207	304	315
Net sales	767	596	863	684	1520	1128	1233	1094
Other income	16	20	17	11	24	17	12	12
Raw material costs	144	120	488	372	597	509	918	780
Wages	122	116	67	52	263	232	43	35
Interest	10	8	32	29	42	41	29	20
Gross profit (+)/loss(—)	172	232	113	93	83	41	160	194
Depreciation provision	37	68	21	20	24	21	28	38
Tax provision	80	113	51	23	—	—	82	95
Net profit(+)/loss(—)	55	51	41	50	59	20	50	60
Development rebate provision	1	3	4	6	8	7	1	6
Transfer to reserves	6	—9	23	33	—	—	3	6
Dividend								
Amount	48	57	P2	2	P11	—	E46	54
			E12	9				
Rate (per cent)	10	12	P9.5	9.5	5.25	—	E25	28
			E20	16				
Cover (times)	1.12	0.84	2.15	4.06	—	—	1.06	1.11
Ratios (per cent)								
Gross profit/sales	22.42	38.92	13.09	13.69	5.46	3.63	12.98	17.70
Net profit/capital employed	6.21	5.68	7.90	10.10	10.77	3.29	8.22	10.64
Inventories/sales	32.33	41.27	28.98	33.18	23.55	34.39	18.25	24.80
Wages/sales	15.69	19.46	7.76	7.62	17.30	20.57	3.49	3.20

ference shares of Rs 100 each carrying dividend at 9.5 per cent per annum at par. Both equity and preference shares are proposed to be issued as 'rights' to the holders of respective classes of shares. The company also proposes to issue bonus shares on a three-for-five basis. Government approval has been secured for investment of Rs 25 lakhs in equity capital of Usha Alloys and Steels, promoted for the manufacture of 50,000 tonnes of high/low carbon alloy steel billets per annum at Adityapur near Jamshedpur. It is believed that, once this new company starts production, UMB will be assured of quality steel which is required in increasing quantities to meet the growing demand of the company's products. UMB has produced good results for 1972, with higher sales and profits. Dividend has been raised by four points to 20 per cent.

LAXMI VISHNU TEXTILE witnessed a quick change in its fortunes during 1972, with gross profit doubling itself following a less than 35 per cent advance in net sales. Net profit was nearly threefold, which enabled the company to wipe off the entire accumulated loss (Rs 25 lakhs) and clear arrears of bonus for earlier years (Rs 13 lakhs) as also of dividends on preference capital including the amount due thereon for the latest completed year (Rs 11 lakhs). The way has thus been cleared for resumption of payment to the equity shareholders who were last paid a mere three per cent for 1963. The company's export performance was even more spectacular—with export sales aggregating as much as one-third value of production. These good results have, of course, occurred in a year of bumper cotton crop, when raw cotton prices were considerably lower than in the previous year, but a good deal of contribution has also come as a result of the programme of reorganisation and renovation being carried out at the mills for some years now. Last year alone, Rs 42 lakhs were spent on this programme, besides Rs 30 lakhs on repairs to old plant and machinery. The management intends to incur further substantial expenditure on the programme in the current year so as to avail of the benefit of development rebate which is likely to be withdrawn after May next.

FOOD SPECIALITIES experienced a sharp contraction of margins during 1972, when gross profit dropped by 18 per cent even though net sales advanced by 13 per cent. Net profit was 24 per

cent lower, with the result that even dividend reduced by four points to 25 per cent was just covered. Export sales increased by 49 per cent to Rs 131 lakhs. In the course of a voluntary demarcation of the milk shed area, the company ceded territory to government milk scheme. Despite the smaller district, milk deliveries were increased by 34 per cent. Prices of all raw materials rose considerably, but no pronounced shortages were experienced. Last year, the factory at Moga was brought within the extended municipal limits. All raw and packing material are now subjected to octroi duty. The power shortage in Punjab and Tamil Nadu gave rise to anxiety, though production did not suffer. Batchwise production of instant tea at the pilot plant in Cherambadi continued. The company's application to government for sanction to capitalise part of reser-

ves and issue bonus shares is still pending. Nearly 70 per cent of the share capital is held by the holding company, Nestle's Holdings. The auditors were paid Rs 15,005 for out of pocket expenses and fee for 'other work', besides Rs 21,000 as audit fee.

MAHARASHTRA SUGAR's board proposes to transfer the assets and properties of the company's distillery, potable liquor and cube and confectionery plants to Maharashtra Radio and Electronics, a wholly-owned subsidiary, with a view to segregating the sugar undertaking from the non-sugar undertakings. The decision has been influenced by the consideration that in the event of nationalisation of the sugar industry the non-sugar undertakings be saved from the government action. The board feels that such a course will not adversely affect the shareholders in any way.

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Calcutta Diary

A M

THE incendiaryism at Lucknow has proved a point: the distinction between certain kinds of student leaders and ordinary hooligans is almost blurred out. And yet, how many politicians will have the honesty to own that Lucknow is not an aberration, or that it is their sins coming home to roost?

Over the past twenty years, the injunction in the Constitution notwithstanding, the decision-takers at the Centre as well as in the States have shrunk away from the task of spreading free and compulsory primary education. Disseminating elementary education in 550,000 villages in the country implies a lot of hard work. If it is to be more than a pretence, the solution of many other ancillary problems beyond providing for physical facilities or teachers would be called for. An economic content is inherent in the experiment: for containing the phenomenon of drop-outs, one must be able to arrange for, for example, mid-day meals and milk for the offspring of the poor, who constitute the overwhelming majority of the children of school-going age. All this was too much for those who wanted to have a relatively cushy time. The likely negative consequences of primary education had also to be considered. Eradicating illiteracy is to permit the possibility of landless labourers and small farmers becoming increasingly aware of the world around them, of the potential for development latent in them, of the opportunities denied to them every day. From learning the three r's to getting organised for political action can be a short haul. Why play hostage to fortune; better go slow on primary education. Class interests therefore win out with the politicians; the outlay for primary education under the Plans is invariably short-changed.

At the same time, there is, to borrow the World Bank cliché, the revolution of rising expectations to reckon with. You cannot maintain the trappings of a parliamentary democracy without humouring populist notions along. Education must spread. Since primary education is out, passion therefore, gets diverted to starting colleges and universities. A certain middle-class glamour attaches to such institutions; the necessary organisational effort to set them up is also minimum. Besides—what is to be welcomed—, very few of the filthy poor will be able to join them. The sights are therefore set high. For each Assembly constituency, have at least one college, for each Par-

liamentary one, at least one university. The target having thus been laid down, the politician gets down to the business of cajoling public funds for such institutions of higher learning. No questions are asked about the quality of the scientific and technical equipment that is installed. Whether it would be possible to recruit teachers of adequate standards is never gone into. These are trivialities, and should be brushed aside. For by starting, in a mad hurry, these colleges and universities, at least three important purposes are accomplished. First, you keep trapped several thousands of young men and women in the educational system for an extra number of years; the pressure on the labour market is, to that extent, reduced. Second, you are also able to satisfy the ego of these young people—if they cannot have jobs, at least let them have degrees. Such degrees may have only scrap value, the academic quality obtaining in the institutions may be an affront to all scholastic standards. But the politicians would not be denied the accolade which become their due following the opening of another college or university in their constituency; it enables them to put their conscience to sleep. A new educational institution moreover, means a new source of spoils: jobs can now be on sale, and even, as in some universities, Ph D degrees, with the usual kick-backs.

Universities therefore turn out to be the gay arena for applied opportunism. Public funds are up for grab, and higher education provides the essential apologia. Charlatans and illiterates come to occupy professorial chairs, norms of selection are watered down till they cease to exist. The same thing happens to standards of admission. The politics of survival ordains that no questions be asked, and each and every aspirant at the portals of the university be allowed entry. The quality of instruction being what it is, the young men and women, who scramble in, soon discover other sublimations. They begin to play as little politicians, learn to import all the skulduggery from the world outside. Politicians too start appreciating the advantages of using captive groups of young people from the educational institutions for campaigns at election time and other critical occasions. A line of communication is established between the groups of politicians and groups of students; the arrangement provides mutual satisfaction, and also perhaps tends to a certain traffic of finance. After a while, bilateralism gives way to

multilateralism, as groups of teachers find it convenient to hit up alliances with political as well as student elements. Student bodies are infiltrated by hard-boiled, professional goons who arrive on the scene with expert knowledge of manoeuvres and machinations. The atmosphere gets gradually vitiated. One thing leads to another. Soon the cult of the knife supplants the cult of learning. Since everybody yearns for a degree, the cult of the knife also takes over the examination system. The student leaders decide the modalities for setting question papers and holding examinations; they organise community cheating; they also insist on exercising a veto over the manner of scoring answer scripts and tabulation of results.

By now, the politicians have been caught in the trap. The student leaders can blackmail them till doomsday. They keep dossiers on politicians, on their stealings and thievery, on their debauchery and fornications. Those who have carved out a career as student leaders are the regular go-betweens between politicians and politicians, or politicians and businessmen. They know fairly everything about shady deals over licences and bank loans. They have got the politicians where they want; they, more than anybody else, know the several faces of the miserable, platitude-mouthing hypocrites. Call it just deserts or no, the hoodlums masquerading as students thus find it easy to take over the system. The folly of the politicians catches up with them. Honest work among the people, building the base from below are no longer the 'in' thing; rather, politicians take recourse to thuggery: get money from the industrialists and traders, borrow the muscles from the thug, exploit the students, and a political career is built. This trend has established itself firmly during the more recent years. From ministers down, the edifice is one of unrelied corruption. The hoodlums can afford to challenge the sanctimonious politicians to get rid of them. They know that they are bound to win out, because the politicians would not dare to face the risk of public exposure.

Lucknow is not *non pareil*. The story is repeated wherever higher education has become a negotiable commodity and politicians have sold themselves down the drain. About anybody can get himself admitted to a university, even the worst specimen of the social scum; he is honoured and placed on the pedestal of the politician, and by scheming groups of teachers, whose own credentials are more than suspect. Given his clout, sooner or later he will come to hold a succession of key positions in the party organisation, and may even find a place

in the State cabinet. Has any politician ever stopped to wonder how an ordinary housewife feels when she sees someone as eminent as, for example, the Prime Minister closetted with a person who, barely two years ago, would have been described as a common criminal? Times have changed, the street ruffian has donned the party apparel and has learnt to speak the appropriate, cliché-ridden slogans. He is now invited to inaugurate literary soirées or speak on the nature and significance of non-violence in national life. No one need be surprised if, even while he is speaking, tucked away around his waist is a vicious-looking knife; or if the unusual padding you notice on the left shoulder of his *kurta* is the tell-tale sign of a barely concealed weapon. It may not be quite

pre-history since he had last used that knife or that gun, maybe to finish off a former pal who fell out with him over the sharing of the spoils from breaking open sealed railway wagons.

The rebellion of the armed constabulary has befogged the issue, but the crucial question which Lucknow raises is still about the dress which has been allowed to pollute the political process. One can almost wager that no MISA would even be applied to get at the arsonists who parade as students. They have, thank heavens, on ideology, they are career-minded criminals, and you need their help at election time. One must learn to be reasonable: what is burning down a few universities for such noble philanthropists?

CAPITAL VIEW

A Lesson from Uttar Pradesh

Romesh Thapar

IN ruling political circles it is customary to describe the present sprawling, teeming, backward Uttar Pradesh as not only the sixth largest state in the world, a fact based on fecundity, but also as the critical element in the stability of continental, multi-cultural India. Well, judging from the events of the past few weeks in this homeland of Prime Ministers we have every cause to say a prayer. The heartland of India is now a septic focus.

The revolt in the Pradesh Armed Constabulary (PAC), the sacking of Lucknow University, and the PAC's refusal to surrender arms represents a critical moment in the history of free India. The wide and ramified spread of political corruption, the steady erosion of the morale of institutions and organisations which act as the cement of democratic functioning, the growth of the conviction that only angry and violent protest can win redress on long pending demands, the break-down of normal disciplines among those who must function under discipline, the entry into public life of openly avowed operators on the make, and the officially encouraged attitude of compromising with every charlatan who can muster a mob, are the major elements of the crisis that is upon us. And it is not confined to Uttar Pradesh. The perceptive in the GOI understand this.

The argument that it is economic stagnation which is the cause of our troubles, an argument mouthed with

much dexterity by all manner of "operators" and "thinkers", is facile, dishonest. No one denies the role of economic growth in cushioning the crises of an exploding population, but the shattering revelation that the economic capacities built up over our 25 years of independent existence are less than 50 per cent utilised in so many vital areas points to the real truth. We cannot advance without solving this problem on a war footing. The first casualty of populist anarchy has been productivity. The second casualty has been the maintenance of the assets built up over 25 years. And now we are entering the phase of dislocation and closure of units of all description.

ENOUGH IS ENOUGH

Enough is enough. The demand for a return to discipline is crystallising faster than most observers suspect. The opportunist tactics of the trade unions, whose leadership has been utterly oblivious of the magnitude of the crisis facing the country, are under close scrutiny. The attempt to disrupt the railway system around Delhi through lightning strikes and go-slows, at a time when the movement of food makes the difference between survival and explosion, has sparked an official toughness which reflects a new and growing mood in the Capital. Strikes in the Railways have been banned for a period of six months. Any fresh moves to disrupt other critical areas will obviously see the ban ex-

tended. The implications don't need spelling out.

The return to discipline during this emergency will be complex, tension-packed, even violent, but it has to be ordered. No sane government can permit the kind of incipient anarchy that is reported from various parts of the country. The obsession to unionise policemen reveals the plans of those who are determined to exploit the present situation whatever the cost. This is not to suggest that the Congress party is without guilt. It has sponsored a tit-for-tat approach in its battle with opponents, and now it is reaping the whirlwind. We can only hope that between now and September, as normal disciplines are being asserted, Indira Gandhi will punish by sacking those of her colleague and lieutenants who are discredited. The nation is tired of carrying this deadwood.

At this point of writing, the future of the Congress set-up in Uttar Pradesh is under debate. Clearly Chief Minister Tripathi, sitting unconcerned over the messiest situation in India, must go. But who is to replace him? Another white-capped nut or someone with the potential of relevance? Or President's rule? Whatever the decision, it should be motivated by the desire for a basic clean-up. Elections can wait—for three years, if need be. Any approach short of this will only encourage disruption elsewhere, in the heartlands and beyond.

Indira Gandhi, cornered as never before, will probably emerge sooner than later in a tougher, remorseless mood. The central apparatus is likely to feel the impact of these currents. Looking at the scene, what are its prominent features? A Food Ministry tripped up by a Planning Commission determined to gamble with a grain take-over. A Ministry of Mines unable to feed coal to the Ministry of Power and the Ministry of Railways. Ministers of Industry compelled to think of agriculture and marketing. Ministers of Supply and Commerce in little co-ordination, yarn or no yarn. A Home Ministry electioneering and without proper intelligence from the states. A Foreign Ministry building fences. A Labour Ministry playing union politics. And a Finance Ministry busy as usual, holding up what little moves. We'll not talk of the Law Ministry, for the moment! There's a lot to be done. Where does one begin?

The Prime Minister cannot stop short at merely correcting aberrations in the states. Parallel action will be needed at Central level to restore credibility, particularly in a period which has to mark a return to disciplined productivity. Old

Delhi hands refuse to believe that speedy developments are on the way. The situation is tortuous and the selection of action points is the subject of considerable controversy. Then again, disciplined productivity requires immediate attention to long-standing grievances. Obviously, "the system" has to cut through the jungle of talk before it can act. When this talk lessens we will begin zero-ing on certain fundamental corrections.

However, the questioning is fairly precise and persistent? Will a co-ordinated comprehensive view be taken of the

inter-locked causes of the crisis? Will the policy-makers be able to resist their attraction for peripheral issues and remain fundamentalist? Will the ruling party stop looking for scapegoats to cover up its own sins? And will our leading political personalities learn to work together in some degree of mutual trust? A mouthful of questions, but they suggest that we are not all that confused.

Uttar Pradesh may have taught us quite a lesson.

May 28

THE FOURTH ESTATE

Big Brother in the Newsroom

Nireekshak

NEWSPAPERS have been rather full of sex scandals recently. Once upon a time they were taboo in our so-called responsible English language Press. But the scandals galore of recent weeks seem to have freed these newspapers of their inhibitions and now they are vying with each other to do one better on the subject.

In the treatment of these scandals our newspapers are yet far behind the Press in Europe and America. The reference here is not primarily to the big headlines and jazzy lay-outs but to the investigative aspect of newspaper reporting in the West. It was exposure by the press which led to the resignation of the British ministers, Lord Lambton and Lord Jellicoe. Scotland Yard followed up the newspaper allegations in these cases and found them substantially true.

Compare this to *l'affaire Kittur* in India. Though it was the talk of the town in Bangalore for some weeks, no newspaper dare report it. Only when the matter figured in the privileged precincts of the legislative assembly did the Press take it up. Kittur's resignation, which followed press reports of the proceedings of the Assembly, gave the scandal the credibility it needed to survive for some time.

The Mysore Government, like the British Government, will in all probability survive the Kittur episode which will no doubt be hushed up to save many a reputation. Who, after all, are the investigators? The police and its intelligence wing! The Press is just reporting what the police probes reveal.

Nothing more, nothing less.

This is not, of course, the first sex scandal to hit the headlines in the Indian Press. In the late 1950s there was the Nanavati case which figured very prominently in the newspapers. At least one paper, *Blitz* of Bombay, enjoyed a circulation boom on account of its reporting of the case. In the early 1960s the Indian Press, thanks to the foreign news agencies, covered the Profumo-Christine Keeler scandal in Britain rather extensively.

The Nanavati case and the Profumo scandal helped our newspapers to shed some of their inhibitions about sex, and crime stories with a sex angle started appearing on their local pages. This marked a significant change in the attitude of our news editors. But they had to wait another ten years to discover another Profumo and a Nanavati. In between, minor peccadilloes of businessmen (recently, of a Delhi businessman) and of government officials (of a Press Information Bureau official the other day) have continued to figure in the Press. The last two years have also seen a proliferation of magazines and journals with the accent on sex scandals. These, one is assured, command rather impressive circulations.

Incidentally, the language Press often takes the lead in publishing reports of sex scandals. They (and presumably their readers) appear to be less inhibited than the so-called responsible English language press. A Gujarati newspaper has recently alleged that a sex scandal bigger than the Kittur affair is brewing in Ahmedabad. A minister and an MLA

are alleged to be involved in it. The paper has even predicted that, when the scandal bursts into the open, it may spell the end of the Oza ministry. So far, however, no government has fallen because of a sex scandal. These scandals are trivia and serve to cover up far bigger lapses on the part of those in power and to sidetrack the real issues of our time.

This is true of much else that seems to occupy the newspapers. The Watergate scandal in the United States, the Lonrho bust-up in Britain and the Maruti issue in this country have no sex angle to them. Yet they are serving the purpose of distracting public attention, sometimes with the abetment of the establishment and sometimes without it. After all, what is Watergate? A trivial incident which has been magnified by the American Press into a major crime. According to one Robert L. Thornton, an American, who some weeks ago wrote an angry letter to the London *Economist*: "The truth about Watergate is that anyone who dares to challenge the Press, no matter who, can be brought to his knees If you really want to view with alarm, consider the power of the Press in a democracy with an independent television system, subject to absolutely no control and violently monopolistic. Traditionally, we haven't worried too much. Powerful governments constrained powerful networks and *vice versa* and the public interest was relatively safe. But when it is demonstrated that the government is helpless in the face of a vindictive Press, I'm frightened. Even a very good foreign policy and a domestic policy that, whatever its limitations, was just what the common man wanted weren't enough to protect the most powerful politician in the world . . . Most of us have thought Big Brother would appear in the White House. We were wrong. He lives in a New York newsroom."

One may not share the above writer's views on the blessings wrought on the American people and the rest of mankind by President Richard Nixon. But Watergate has served to underscore the awesome power of the mass media, including the Press, in the United States. It is interesting, though, that the power of the mass media is noticed only when it is used to oppose the established political authority, not when it works in close collaboration with the latter—as, for instance, when the American mass media worked hand in glove with successive American administration to give the American people a thoroughly warped view of the People's Republic of China for two whole decades and more.

FOODGRAINS TRADE TAKE-OVER

Who Killed Cock Robin?

(From a Special Correspondent)

IN a country characterised by wide fluctuations in production and frequent shortages of foodgrains, leaving foodgrain distribution to the mercy of the "invisible hand" of the market has grave dangers. Despite the reiteration of this fact by a number of commissions, the Government of India took too long before it finally decided to take over the wholesale trade in foodgrains, beginning with wheat. But the hasty manners in which the wheat trade has been taken over gives it the appearance of an *ad hoc* and casual measure rather than a well thought-out policy. There are a number of gaps in the way the take-over has been effected. These go a long way in explaining the current slow pace of wheat procurement and may even defeat the basic objective of the take-over in the long run.

According to the latest official estimates, total rabi wheat production—the fanfare over the emergency rabi production drive notwithstanding—would be about 30 mn tonnes compared to 36 mn tonnes last year. Of this, about 11 mn tonnes are estimated to be the total marketable surplus of which the government has set the target of procuring 8 mn tonnes. However, till the middle of May—by when the peak threshing season in most areas is over and there is little hope of substantial further supplies in the pipe-line—actual procurement had been less than 2 mn tonnes. This has created great anxiety within the government and now a close hour-by-hour watch is being kept on country-wide market arrivals and procurement through the newly set-up 'control-room' in Krishi Bhavan. Outwardly, the government is trying to present a bold face by comparing the current procurement figures with the low figures of the corresponding period of last year, though the circumstances—in terms of total production, total requirement and weather conditions affecting harvesting dates—are not at all comparable. If the actual procurement is compared with the procurement target for the season, it will be clear that the procurement effort is falling behind schedule. Except in Punjab, procurement in all the major wheat producing states is lagging far behind the target. The situation is particularly alarming in states like Rajas-

than, Bihar and Madhya Pradesh where the governments are finding it difficult to achieve even a respectable part of the targets fixed for them.

NOT THE ONLY VILLAIN

The government is blaming foodgrain traders and the opposition parties supporting them for the farmers' lukewarm response to the take-over of wholesale trade. However, to single out the trader as the villain of the piece is to ignore the many operational deficiencies of the take-over scheme and to underrate the farmers' keen understanding of the objective circumstances of our grain marketing system.

Let us take first the mechanics of the take-over scheme. In its method of initiation and implementation, the scheme shows remarkable similarities with a number of other programmes intended to bring about institutional changes in agriculture, such as that famous non-starter, the scheme for co-operative farming, or the different components of land reforms. In brief, the whole process follows a set pattern: A resolution of the Congress party, followed by press statements by leaders of the party about the proposed change, enactment of legislation or issue of gazette notification or government press note setting out fragmentary details of the scheme and giving the time-table for enforcement; issue of directives to the concerned bureaucracy at different levels; and follow-up action consisting largely of almost similarly-worded public statements by Ministers and other party leaders emphasising the positive features of the scheme, criticising and blaming vested interests for obstructing the proposed changes and, finally, calling for public co-operation for the success of the "people's programme".

History, however, is yet to provide instances of structural changes being brought about by pseudo-activities of the above type. In the case of the take-over of wholesale trade in wheat, for instance, precious little has been done to prepare the farmer, the consumer and all those whose active co-operation is a prerequisite for the success of the programme. Even in a country like China, the unified procurement and marketing scheme did not deliver the goods till

the political cadres entered the operation, classified the producers into poor, middle and rich categories and resorted to different strategies for the three categories to elicit their support for the new scheme. In a country where 'party cadres' constitutes only a talking point at party meetings and the vested interests which are said to be blocking the proposed change are the ruling party's patrons, the means for gathering mass support are very much more restricted and the need for careful spadework, taking realistic account of the institutional limitations, is all the greater.

Further, even if one did not question the possibility of bringing about structural change through official declarations and through the working of a mercenary bureaucracy, the grain trade take-over scheme still leaves too much to be described in terms of clear direction and operational details. The official wavering over many issues such as a compulsory levy, the procurement price, the retail traders' issue price, statutory rationing, non-price incentives to the farmer, the restrictions to be imposed on farmers and traders, etc, are clearly evident from the contradictory statements of central as well as state ministers daily reported in the newspapers. In the absence of a clearly-cut framework, even the best and the most willing administrators will find it difficult to implement the scheme.

Let us examine some of the circumstances which have shaped the farmers' response to the take-over scheme. Firstly, given the scope, the Indian farmer is rather more rational and return-conscious than the most optimistic 'acreage response' studies would indicate. When the partial take-over of wholesale foodgrains trade, covering wheat and leaving out other crops, together with the overall scarcity created a hitherto unknown situation of coarse grains gaining a price lead over wheat, the farmer was placed in a peculiar situation. For example, in the Punjab and Haryana markets, where gram and barley prices during early May ranged between Rs 130 and Rs 140 and Rs 100 and Rs 110 per quintal, respectively, compared to the corresponding levels of Rs 80 and Rs 50 last year, wheat was demanded from the farmers at Rs 76 per quintal by the procurement authorities. Only a simpleton could expect the farmers to willingly sell wheat to the government at such a low rate. This anomaly in prices, a by-product of the partial take-over of foodgrains trade, has not only helped to bring the farmers and traders together, and thus create

additional complications for the procurement scheme, but opened highly rewarding opportunities for traders. During early May, the wholesale price of bajra in the Hapur market was Rs 105 per quintal, while the price quoted in the Bombay market ranged between Rs 185 and Rs 190 per quintal. The corresponding price of maize was Rs 74 per quintal in Hapur and Rs 155 to Rs 160 in Bombay. In the case of barley the prices were Rs 88 in Hapur and Rs 105 to Rs 110 in Bombay. The margin was thus too attractive for the wholesale traders to carry out their threatened boycott of trading in coarse grains from May 7. The traders' federation, therefore, decided not to stop the trade in coarse grains—"in the interest of the consumers"! Besides, the trader could not overlook the convenient cover provided by coarse grains for clandestine trading in wheat.

The completely disturbed price parities are also largely responsible for the farmers' demand for a higher procurement price for wheat, which some of the state governments have marginally conceded. True, the farmer knew of the procurement prices fixed in advance while sowing wheat, but even so he simply cannot reconcile himself to selling wheat at a price substantially lower than that of coarse grains, which are not only considered inferior products but whose cost of production is also low compared to that of wheat. So the farmer is busy making the most of the Godsend (or shall we say government-send?) opportunity provided by the high prices of coarse grains. Even the quota of coarse grains normally retained for feeding animals and making payment in kind to labourers is being diverted to the market. Thus the poor—the consumers of coarse, but now costly, grain—have been hit from one more direction.

HOARDING BY FARMER?

The question to ask, it may appear, is how long and with what expectation would the farmer withhold his wheat stocks? The government and its experts feel that the farmer's hoarding capacity is not unlimited and that sooner or later he will have to sell wheat to the procurement authorities at fixed prices. However, the actual situation in the villages suggests the contrary. From his experience of his own locality the farmer knows better than the experts in Krishi Bhavan about the shortfall in production; he is also better aware of the traders' ability not only to operate despite the take-over but also to successfully evade the zonal restrictions and smuggle wheat for high margins; finally,

he knows about the flourishing clandestine markets outside the traditional markets and is, therefore, fairly sure of the gains to be made by withholding the surplus wheat from the government. In fact, his own participation in the new informal clandestine marketing arrangements (under which traders act as 'brokers' and the farmers make direct supplies to consumers at high prices) has convinced him more than anything else that he has nothing to lose by not selling his wheat to the government. Further, what could be more reassuring to the farmer than the fact that the very officials who visit the villages to persuade the farmer to co-operate with the procurement machinery, while returning purchase bagfuls of wheat at the 'open' market price for themselves and their colleagues. The scare created by the propaganda carried on by the trader and the government (for opposite reasons, of course) has at least in some areas encouraged hoarding of wheat by those consumers who have the means to do so. Thus till the overall scarcity persists, neither the farmer nor the trader can be a loser. All evidence suggests that traders are able to make such larger margins today, even after meeting the 'cost of restrictions', than during the regime of private wholesale trade. Thus the farmer is not really

MAHARASHTRA

The Bandh—and After

D N

THE widespread agitations in rural Maharashtra on May 16 have shaken the Naik government. Not that there is any immediate threat to its existence. But the success of the Maharashtra Bandh points to the possibility of a mass movement among the peasantry. Such a mass movement, organised to secure not some separatist demand, but the democratic demands of the peasantry is something the government must fear.

From having been a backward area in the political map of India, Maharashtra has been pushed by the famine into a leading place in the mass movement in the country. Years of working on relief sites have led to some important changes in the peasants' mentality. While earlier they laboured on their own pieces of land or for a particular landlord/rich peasant, now they are all working for one employer, the government. The peasants who lived off the direct product of their own labour are now wage-labourers. This is, of course, temporary. But the period of

hoarding wheat but marketing it through new informal channels. The trader too has successfully adjusted himself to the new circumstances.

How long the farmer will be able to withhold stocks is thus largely an academic question. The assumption that the resource requirements of kharif sowing would make him yield to government pressure also makes no sense if even a part of what we know about the improvement in the economic condition of the kulkas during the plan periods in general and since the inception of the 'green revolution' in particular, is true. Moreover, the traders' active partnership and the flow of public funds for the proposed kharif production drive will come to the rescue of the farmer in case his hoarding capacity proves insufficient.

The burden of the above story, then, is that not only the trader but the government, the farmer and the consumer are jointly responsible for the poor performance of the wheat trade take-over scheme. But all these elements taken together constitute the total system whose likely behaviour should have been taken into account while framing the take-over scheme. As things are, the relative failure of the take-over, while it is certainly a matter for concern, should certainly not come as a surprise to anyone.

ideologically closer to the rich peasants, and aspired to their position, the famine has shattered this aspiration and forced them closer to the poor peasants and landless labourers. The distinction of owning a little more land is insignificant when compared to the identity of being temporary wage-workers on relief sites. Even the women in the middle peasant families are now working with everybody else.

Students, who are particularly susceptible to the petty-bourgeois ideology of getting ahead on one's own, have also been forced to come closer to the other sections of the rural working population. From the beginning of the academic year itself many students were abandoning their studies and going off to the relief works. Now, in the vacations, even those who managed to continue their studies are on the relief works. Not just university students but also high school students are working, to earn the money with which to pay fees and buy books. Finally, seasonally employed industrial workers (for instance, those in sugar factories) and unemployed workers have also been forced onto the relief works.

This coming together of so many sections of the rural population, the fact of being employed by one employer, viz. the government, and the desperate living conditions have led to the now familiar pattern of frequent agitations in the countryside. The peasants are militant, but they do not seem to have the experience and knowledge to be the initial leaders. In Ahmednagar district students and workers have played the most important role in organising the peasants. In Srirampur, for instance, it is the workers of the Potable Liquor Plant who, under the guidance of the Lal Nishan Party, have played a leading role. These workers are educated and young. Recently they were all dismissed from employment, because they broke away from the recognised Socialist Party union and formed a Lal Nishan union. Now they are working on relief works.

Over the past year or so many struggles have been waged in Ahmednagar district. The nature of the demands has been the same everywhere—the starting of works, the taking up of irrigation projects, prompt payment of wages, and so on. But although all the struggles were similar, they were conducted separately—at the level usually of a single village, rarely of a group of villages that had a common relief work.

The May 16 Bandh made a significant difference to the situation, not all over Maharashtra but at least in some areas like Ahmednagar district. For the

first time there was a common agitation on general demands, like the provision of adequate foodgrains, increase in wage rates, cancellation of new debts, etc. The success of the Bandh in some areas is a testimony to the heightened consciousness of the people. In the earlier struggles there had been a direct connection between the realisation of the demands and the action taken—for instance, gheraoing the overseer to force a payment of wages. Now, the connection between the action (a one-day token strike) and the realisation of the demands (adequate wages, grain, etc) was not so direct.

To come out for such a struggle, as the one of May 16, definitely requires a higher level of consciousness—an ability to think in general class terms that extend beyond a village, and to identify the common enemy. The common enemy must not have been difficult to identify. It was not one landlord here and another landlord there, but the same government everywhere which was obviously seen to be responsible. It was the government that set and paid wages and the government that promised rations.

The necessity of struggle on a general class level, however, was not so easily recognised. In some places, for instance, the peasants did raise objections to participating in the strike—that they would lose a day's wages, that the strike would not achieve anything, etc. But when it was pointed out to them that this strike was not itself going to achieve the demands, and that this

strike was only the beginning in demonstrating to the government that the people were not going to take things lying down, they quite readily accepted it.

This organising of the struggle on a general class basis is an important contribution of the Bandh. The famine and the fight for adequate relief measures have helped to organise the peasants and landless labourers and increase their class consciousness. But it is necessary that the movement not be just one for more and different relief measures. If it continues to be just that, we would get something similar to the trade unionism in the cities and the endless morchas that emasculate the working class. The way ahead is to fight for the eradication of famines. This, however, is not a question of demanding more irrigation projects. As a letter to this journal ("Productive Relief Works for the Rich", April 28, p 773) pointed out, the increase in irrigation will only help those (landlords and rich peasants) who in any case do not face the problem of famine. Famine is essentially due to the precarious economic condition of peasant farming. This is the result of the peasants' insufficient holdings of land, and the amounts they pay as rent and usurious interest. The only way forward for the peasant movement that has been building is through tackling the land question—through taking up the demand for breaking up large landholdings and the redistribution of land among the peasants and landless labourers.

relief works have been the targets, as also grain shops since foodgrains have not been available in sufficient quantities or at fair prices. The last three months, particularly, saw tens of thousands of relief workers all over the taluk coming forward to demand more projects, higher wages, more and cheaper foodgrains, and better working conditions. The Shramik Sanghatana, an organisation of agricultural labour and small peasants, spearheaded this mobilisation. On an average there was one morcha every week, several meetings, distribution of leaflets, and study and propaganda classes. Last month, in protest against official inaction, relief workers even boycotted relief works. At the same time, over the past two months, organised morchas along the Gujarat border had marched on grain shops and confiscated hoarded grain; hoarding in the

region has been serious enough to treble the prices of grain over the past six months even though the drought has not been so severe.

The Bandh in Shahada on May 16 was in a sense a culmination of this organised activity. It was preceded by a study camp of women activists last month, a series of small and large meetings informing the people of their rights under the drought laws and regulations, consolidation of the Tarun Mandals (youth cells) of the Shramik Sanghatana, a 5,000-strong morcha on the police station to protest against police repression, and distribution of leaflets. The Bandh, organised to coincide with the all-Maharashtra Bandh, focused on the Lal Nishan Party's Maharashtra Charter of Demands. These include: starting of more relief works, continuing these for some time after the onset of the monsoons, infrastructure-creating relief works in place of metal-breaking works, equal wages for men and women, increase in daily pay from Rs 3 to Rs 4, compliance with drought relief regulations such as shelter at works sites, and grain supply of 35 kg per week per family of 5 members. There were special local demands too, such as extension of particular relief works and opening up of more ration shops (today there are only a handful of them as a concession to the earlier agitations).

The 3,000-strong procession on May 16 grew to twice its original size as it passed through the streets of Shahada. It shouted anti-government, anti-kulak slogans, demanded full work and full pay for work done. The relief workers had gone on a total strike on the morning of May 16. They marched to Shahada town from villages 10 to 15 miles away; their morchas were led by the Farm Mandal and by women activists. Shopkeepers had put their shutters down, fearing looting of grain. But the morcha was completely disciplined. It culminated in a meeting and a dharna at the Tehsildar's office and at the police station.

A deputation of about 30 workers, including two full-time Shramik Sanghatana activists, submitted the charter of demands to the Tehsildar. A discussion followed, conducted mainly by the labourers themselves. They argued each of their demands, substantiating with ample evidence the corruption, inefficiency and callousness of government officials. The Tehsildar seemed taken aback. He acknowledged the correctness and fairness of their demands, but pleaded inability to make promises which involved decisions by the Collector and other higher authorities. Meanwhile the progress of the discussion within was continually reported to the gathering outside, and the opinion of the general

body was fed back to the negotiators in the Tehsildar's office. The officer was unable to refute, in the face of the overwhelming evidence, the charges of frequent breaches of government regulations and assurances. He tried to reassure the people that he would commend their demands to the appropriate authority. But that failed to satisfy anyone, least of all the women delegates. The mood was: "we want a guarantee, here and now". After some three hours of such exchange, the Collector and the Pranth Officer (next in the hierarchy) arrived in town. The delegates led the morcha to the government dak bungalow, dragging with them the Tehsildar who was by now quite panicky. The Collector was visibly shaken at hearing himself called an agent of the kulaks and the blackmarketeers. The Pranth Officer pleaded to be allowed to speak and to explain the government stand. He made out that all government servants, in particular he himself and the Tehsildar, were 'social workers' and 'humane people with concern for the poor'. The crowd grew restless. The more militant interrupted him and made fiery speeches. The dharna turned into a gherao. Rank and file workers attacked the government. The people began, with the women in the lead, to attempt storming the suite into which the officers had withdrawn. Finally, a delegation entered the suite while the gathering in the courtyard chanted militant slogans and sang revolutionary songs.

Meanwhile, the special police force from Dhulia had arrived and stood watching helplessly—until a few people noticed them and began to order them about to keep the crowd calm. The policemen complied sheepishly. The crowd was getting more and more restive, determined now to stay put until they got hard promises. At last, after about an hour, the Pranth Officer came out again and gave various assurances: commencement of construction of percolation tanks from May 17, more relief works to follow within a week to create employment for 5,000 to 10,000 persons, adequate food rations, and implements and tools which were till then not given to relief workers to be supplied within two days.

That seemed concrete enough for many, but not for all. As the crowd became more restive, the Pranth Officer announced that five more road projects would start on May 18. That quietened the majority. The activists explained to the gathering the significance of their organised action, their partial victory, the need for more struggles and greater mobilisation, the larger context of the Bandh and the large support to it. It resolved to intensify the agitation and to make sure through militant action

that the promises were not broken. Then the gathering dispersed, after a good eight hours of dharna and gherao.

The significance of the Bandh can be seen only against the background of the movement organising the peasants and landless labourers that has been under way in Shahada for well over a year now. As a result of it, what was a backward, literate fragmented peasantry not so long ago has been undergoing an important metamorphosis. Poor peasants and to a lesser extent landless labourers, who work as individuals, essentially in isolation from one another, have been thrown together by the drought relief works. They have acquired in the process of working together some sort of a collective identity based on their collective work and interest. This is the first time that they have been organised for large-scale non-agricultural operations involving disciplined labour and norms of work seldom to be found in pure peasant occupations. This has made the peasantry more organisable and more capable of effective group action. They have also been exposed to new concepts, ideas, techniques, standards and methods—a development which has important implications for the future. And finally, they have become more able to perceive a relation between themselves and workers elsewhere. Another interesting development is the growing numbers of upper-caste (Gujar, Rajput, etc) small and lower and middle peasants, who have been pauperised by the three seasons of drought and are working shoulder to shoulder with the lower-caste and Adivasi poor, and who have come within the ambit of the movement.

An observation that needs to be made concerns the self-confidence that seems to have arisen from the organised militancy and that has now replaced the earlier servility of the poor. They no longer want to petition, beg, or plead to the government. They make demands upon it. There is a new consciousness of their rights to live, to work, etc. They perceive the agitation as a fight for their rights against the state which they increasingly see as a hostile instrument in the hands of the rich rather than as a paternalistic institution designed for their benefit.

Bandhs and partial struggles of this kind are significant and effective in the long run only to the extent that they are followed up and utilised for organisational consolidation and cadre-building. As this is being done in Shahada already, it is likely that the intensification of the struggle of the drought relief workers will be dovetailed into longer-term programmes of action of the peasants and labourers in the area.

BIHAR

Murder to Order

N K Singh

THE Naxalite movement is in disarray in Bihar. So there should have been an end to violence and murder in the state. After all, this is what official propaganda had always led one to believe. However, nothing of the kind has happened. In fact, violence has been at a peak in Bihar recently. Not communal violence of which there is usually so much in the state; nor dacoity and highway robbery; nor petty land feuds, in which Bihar tops the list. The violence one has in mind is class violence, plain and simple. It is the violence of the landlords against the peasants, the upper castes against the untouchables, the capitalists against the workers and the state machinery against the people. It is significant that the violence of the ruling classes has mounted ever since the decline of the Naxalite movement.

Two Socialist workers of Shahabad were beaten to death in broad daylight on February 26. In Selibeli in Madhubani district, seven CPI workers and peasants were shot dead. There have been numerous murders of Harijans and adivasis. In Rupaspur Chandwa in Purnea 14 Santhal sharecroppers, most of them women and children, were shot dead or burnt alive. A prominent Congress leader of Bihar and a former speaker of the Assembly, who is also a big zamindar of the area, is standing trial in the courts.

The Naxalites too are being taught a 'good lesson' on the defensive though they are. 'Encounters', inevitably culminating in the death of 'extremists', are taking place, not only in the jungles of Chottanagpur but also in the populous villages of north Bihar. On May 6, for instance, four Harijan agricultural labourers were shot dead by the police in Chouri village in Bhojpur district. Later it was given out that these were Naxalites who had been killed in an 'encounter'. Many village-level activists of the CPI(ML) are untraceable. They are suspected to have been murdered by zamindars. The daily incidents of loot, rape and beating of agricultural workers and sharecroppers are, of course, too commonplace to even deserve notice.

Gangsterism has been induced into the trade union movement in a big way, especially in the industrial belt of Chottanagpur. The entire coalbelt of Chottanagpur looks like a setting from

some Mexican gangster movie. There were brutal mass murders of workers in the Kumardhubi and Wasuria collieries last month. Trade union activists live under constant threat to their lives.

The brutal murder of Suraj Narain Singh, the Socialist leader and veteran freedom fighter, has drawn pointed attention to this state of affairs. The 65-year old leader, who had been working for unity among socialists, and was in fact an applicant member of CPM, died on April 21 as a result of merciless beating by the police and goondas hired by a Birla factory and its pro-management INTUC union. Suraj Narain Singh, known as Suraj Babu, was the President of the Engineering Mazdoor Sabha (EMS), the recognised HMS-affiliated union of Usha Martin Black (Wire Ropes) factory at Tatisilwa, near Ranchi. To create a rift among the workers, the management of the factory helped to set up a rival trade union affiliated to the INTUC. The recognition of the EMS was withdrawn and the INTUC-affiliated union was recog-

nised by the management.

This led to discontent among the workers. The Labour Department of the state government fixed February 24 for holding a ballot to ascertain the representative character of the INTUC union. However, the ballot was thwarted as a result of collusion between the management and the INTUC. This led to a hunger-strike by workers on April 13-14 in support of the demand for continuation of recognition of the EMS and revision of wages and service conditions. On April 14 Suraj Babu commenced an indefinite hunger strike.

Next day there was an unprovoked lathi-charge by the factory watchmen and police, which also fired seven rounds to "disperse the violent workers". Three workers were seriously injured. The police, the hoodlums of the INTUC and the factory watchmen attacked the EMS office where Suraj Babu was on fast. He was dragged out of the office and was beaten with lathis by the police and the others in the presence of the magistrate and police officers. He was then taken to the time-office of the factory and was again beaten by the police with rifle butts. He was then tied with a rope and thrown in the scorching sun without even drinking water. The police finally left him only when he became unconscious. There is

hardly any parallel for such brutality on an unarmed and fasting leader of Suraj Babu's prominence even during the British raj. There were at least 60 injuries on his person. The Deputy Commissioner and the SP arrived on the scene after two hours and the unconscious leader was taken to hospital.

The political hand in the murder of Suraj Babu was obvious enough. The INTUC-affiliated union in the company is led by one Ramnika Gupta, a close associate of Chief Minister Kedar Pande. Ramnika Gupta has played a very prominent pro-management role in the trade union movement in Hazaribagh and other places. It is said that the police were emboldened to beat up Suraj Babu by Ramnika Gupta's "good relations with the Chief Minister". In fact, the Chief Minister along with Ramnika Gupta had had discussions at lunch at the guest house of the factory just before the fatal assault on Suraj Babu. At a press conference the next day Kedar Pande dismissed the entire incident in an offhand manner and delivered a brief lecture on the 'goondagardi' of trade union workers in the industrial belt of Chottanagpur. During his two-day stay at Ranchi he did not show the courtesy of visiting Suraj Babu in the hospital, though later he expressed his "deep sorrow" at his death.

The local officials tried to suppress the facts about Suraj Babu's condition and insisted that he was "all right". It was only when a group of newsmen visited the hospital that they came to know that he was in a critical condition. When the news was splashed in the

newspapers the Chief Minister announced in Patna on April 17 that a team of doctors was being sent to Ranchi. But the team did not turn up till the death of the old revolutionary at 3.15 p.m. on April 21.

Leaders of all political parties described the gruesome killing as a "cold-blooded murder". The Sarvodaya leader, Jayaprakash Narain, who had been a close associate of Suraj Babu and with whose help he had escaped from the Hazaribagh Central Jail in November 1942, declared that it was a shame beyond words that one of our front ranking freedom fighter should be beaten to death in this manner in free India. An angry Parliament discussed the matter. The Socialist Party demanded the resignation of the Pande Ministry. In a memorandum to the President, the party pointed out that "though the Bihar government has instituted a judicial inquiry, the terms of reference are not adequate".

A large number of grief-stricken trade union workers, students and political workers brought out a big procession at Ranchi with the body of Suraj Babu. Thousands attended the funeral procession at Patna. There were protest strikes, bandhs and condolence meetings all over Bihar. The students of Patna University observed a one-day hartal. In Madhubani, the home district of Suraj Babu, rail transport was disrupted by angry crowds. May 1 was observed as "martyrdom day" at several places. All the opposition parties except the CPI have given a call for a Bihar Bandh on June 7.

TAMIL NADU

Towards a Left Democratic Front?

THE landslide in favour of the ADMK, which polled 52 per cent of the votes cast in the Dindigul by-election, has not come as much of a surprise, although its lead over the Congress (O) of 1,40,000 votes compared to the DMK's lead of 97,635 in 1971, has certainly shaken many who had anticipated a close contest between the two. Karunanidhi's prediction that the only alternative to the DMK would be Kamaraj's party, and his open call to the Tamils never to accept the leadership of an 'alien'—M G Ramachandran is a Malayalee—have come to naught. In 1971, as a united party, the DMK had polled 2,48,000 votes. In last month's by-election, it lost 1,55,000 of its votes to its splinter. The large chunk of votes lost to the ADMK testifies to the long, and widely, held belief that, after the

split, the DMK's rank and file had flocked to the ADMK while its official echelons—MLAs, district and lower level functionaries—had stayed put, linked to the party and to each other by the umbilical cord of corruption.

Karunanidhi has shrugged off his rival's victory by attributing it to the wrong sub-caste of his party's candidate. MGR's statement, when asked before the election why he thought his candidate was sure to win, that it was because the candidate belonged to the majority caste of the constituency, seemed to substantiate this. But then so did all the candidates belong to the majority caste, excepting the original candidate of the CPI(M) who had later withdrawn in favour of the ADMK candidate. All the candidates belonged to the Makkalathore caste, though it may

be said that Maya Thevar, the ADMK candidate, had the added advantage of belonging to its most populous sub-caste, the Piramalaikkallar. It would, of course, be an oversimplification to attribute Maya Thevar's triumph to this factor alone. Were it that crucial all the other parties too would certainly have chosen their candidates from the same sub-caste. Even assuming that all the 1,20,000 Piramalaikkallars voted for Maya Thevar—an absurd supposition even in this caste-conscious country—he has certainly managed to get 1,40,000 non-Piramalaikkallar votes as well. For all the DMK leaders' insistence that this was purely a caste and cinema vote, the widespread discontent of the people with the soaring prices and the power crisis, together with the 'iron hand' regime of Karunanidhi, have had a large role to play in the Dindigul election.

Almost every leading political personality has been cut to size in Dindigul. The Congress whose candidate—polled 2 per cent of the votes ranked the lowest. The party's two Central Ministers from Tamil Nadu, C Subramaniam and Mohan Kumaramangalam, however close they may be to the Prime Minister, seem to be far removed from the Tamil people. The party's lack of roots among the masses was shown up most aptly in a chat this writer had with a Jutkawallah in Dindigul two days before the election. "This Congress is sure to win", he said. "Which one? You know, there are two of them". "What do you mean?", he asked genuinely shocked and added more to reassure himself. "There is only one Congress here. That's Kamaraj's party." And this, despite any number of Central Ministers who invaded Dindigul, making hair-raising speeches about the "bloody revolution that no power on earth could prevent" if Indira Gandhi's "revolutionary plans" were thwarted by the right reactionaries! The great Indira wave of 1971, already gradually receding in the face of the mounting national crisis, had become a droplet by the time it hit Dindigul.

The people, who had wondered all along why the enquiry commission from Delhi to investigate charges of corruption against the DMK Ministry was not forthcoming, were told brazenly by the two Central Ministers from Tamil Nadu that, if they wanted a commission, they should vote for Indira's party. Mohan Kumaramangalam asked, "What's the use of voting for the ADMK candidate when all that he could do is to send yet another petition to Indira. If you vote for our candidate he would personally approach her and see that a

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davp-391(9)/73

commission is formed". This, plus the thinly-veiled boast that only the Indira Congress had the power to topple the DMK, regardless of who got elected, were the themes harped on by the ministers. Thus without the slightest hesitation our high-level corrupters went around openly bargaining for a price for appointing a commission.

Kamaraj, the strongman of Tamil Nadu, who, rarely bothering to attend Parliament, has spent the last few years touring every nook and corner of Tamil Nadu, seems to have sweated it out all for nothing. Although the Dindigul election cannot be said to have sealed his political future, it has taught him the lesson that he had his party had refused to learn in 1971—that the old style law-and-order rhetoric as much as Indira's new wave rhetoric, has ceased to pay in Indian politics; people are fed up of old parties, old faces and old-style politics. ADMK has had a generous bite of Kamaraj's base in Dindigul while the latter has made no inroads into virgin territory and no new conquests. Even maintaining the traditional base has proved too big a task.

The people of Dindigul have told the state's rulers that they are no longer in a mood to indulge their party in its soda bottle throwing and cycle-chain wielding pranks. The DMK thugs, well-trained in these antics as the frontliners in breaking the many working class struggles in the last few years, roamed the constituency, liberally practising their sanguinary skills. Karunanidhi's followers in Dindigul attempted to create a mini, but third-rate, imitation of West Bengal at the time of the 1972 elections. Hundreds of ADMK followers were arrested even while they were on their way to Dindigul. The party's election offices were attacked. Rickshaw-wallahs, the traditional supporters of MGR, were beaten up if found flying ADMK flags and their rickshaws smashed up. Muthu, the flamboyant DMK mayor of Madurai—who is now blamed by Karunanidhi for the election debacle—and chief of the DMK's army, 'seerani padai', toured the area in an open jeep with his men brandishing swords in a live demonstration of how political power grows out of the blade of a sword. This was the man who had, during the year-long Simpson struggle, vowed publicly that for every single DMK worker killed ten heads will roll. Another DMK stalwart, Quader Pasha, a high party functionary and a star of the celluloid world, the newspapers reported, pulled a gun on a crowd which became restive when he began to address a meeting scheduled for Kamaraj. He was over-powered and

his gun seized when he threatened to use the ADMK office for target shooting. The gun seized was actually handed over to the district sub-collector, who was on the spot but who had remained strangely paralysed. In all these incidents, as in many others, when DMK men began to disperse opposition party meetings or indulge in any sort of hooliganism, the police stood watching, bored and Buddha-like. Police inaction at DMK's rowdism and police brutality against the DMK victims, have by now become the established pattern of behaviour of the law and order machinery in Tamil Nadu. The initial shock and disbelief at such open partiality have gone. Perhaps it was DMK's blind faith in its invincibility that allowed to election day pass without any untoward incidents. The bitter irony of Central ministers warning the state official against misuse of authority in the elections, their repeated calls to the people to vote without fear, and their assurance that the Centre would guarantee a fair and free election was lost on the people of Dindigul who—excepting for a fraction of a minority—had never heard of the story of West-Bengal 1972.

Karunanidhi had charged that the Communist parties, which even the great Anna could not unite, had been brought together by MGR's black money. Though sharing the same platform, the tenor of the two parties' speeches were totally dissimilar. For the CPI(M), which had agreed to support the ADMK only after MGR had announced his readiness to fight Indira Congress—however vaguely and belatedly the intention was expressed—it was a valuable occasion to carry its anti-DMK and anti-Centre policies to the hundreds of thousands whom it could not have otherwise reached. It was a rare opportunity to politicise the ADMK masses, hitherto untouched by class politics. Dindigul is one of the strongholds of the CPI(M) which commands the allegiance of the thousands of tannery and municipal workers. The significance of the coming together, even temporarily, of the organised working class followers of CPI(M) and the unorganised and lumpen supporters of ADMK cannot be overlooked.

The CPI's dilemma was heart-rending. Anguished at its mentor's decision to go it along and yet realising that it was MGR who had the masses behind him, it managed to remain Her Majesty's most loyal opposition by reserving its sound and fury wholly for the DMK and the "Right, reactionary alliance". Rarely ever did a word, even in response to the Central Minister's

taunts, escape the CPI campaigners. Still, vehement criticisms of Indira Congress from the joint platforms are bound to have had an impact on the CPI's rank and file and accentuated the contradictions between the pro- and the anti-Indira factions within the party in favour of the latter.

Is Dindigul an indicator of the future trend in Tamil Nadu politics, or is it a chance move in a mindless game? Whatever its future implications, it has for the time being registered the Tamil people's stark rejection of the policies of the Central and state governments. However unsophisticated this rejection might be, and despite the undeniable element of charisma in the ADMK's victory (the DMK and now its offshoot, more than any other party, have demonstrated what a powerful medium of political mobilisation the cinema could be), it has pushed to the fore the bitterness and disgust of the people with the existing order of things.

Can the alliance between the three parties develop into a democratic front, an alternative to the existing political forces in Tamil Nadu? The fate of the anti-Congress electoral alliance of 1967 is a little too obvious to call for any elaboration. The ADMK leaders have said they want a further consolidation of the alliance. One of their top leaders said in an interview that the present alliance between the ADMK and the Marxists was not comparable to that of 1967 as the present alliance, unlike the former, marked a clear polarisation of political forces in Tamil Nadu. The CPI, also desiring a similar development, would and the predictable proviso that the Indira Congress should be included in any such front. The CPI(M) had backed the ADMK precisely in the hope of developing a Left democratic third front. The task of forming it is fraught with many a contradiction, in the resolution of which the fragile alliance might well break. A lot would depend on the ability of the CPI(M) to sustain the anti-Congress posture of the ADMK—just now a mere electoral necessity—long enough to be able to transform it into a policy desired and demanded by its followers. And it would be a marathon task to re-orientate the anarchic and frenzied politics centred around a matinee idol.

What does Dindigul portend for the future? Almost every opposition leader in Tamil Nadu has demanded the resignation of Karunanidhi's ministry. And the chief minister, a consummate politician, has pointed out that if one were to resign for every by-election lost, Indira Gandhi should have already resigned four times and Achutha

Menon twice. Nor does any large-scale defection from the DMK's legislators seem likely. Even though a mid-term poll is widely talked of, it seems quite unlikely at the present moment. After Dindigul, Indira Gandhi will be the last person to force the pace.

The ADMK is certainly the most popular political party in Tamil Nadu. Centred primarily on a single hero, drawing sustenance largely from his fans, and lacking a serious political approach, the ADMK lacks stability.

Industrial Relations in the Public Sector

A Critique of the National Seminars

Baldev R Sharma

THE Action Committee on Public Enterprises, set up in January 1972, has been examining, among other things, the problem of industrial relations in the public sector. One of the members of the Action Committee prepared a draft Action Plan document in September 1972 which was circulated among 30 or so critics drawn from diverse fields. These critics made their comments and observations on the document in the course of a special Seminar organised for the purpose at the India International Centre, New Delhi on October 19, 1972. In the light of the comments and observations of the critics, the earlier draft was revised by a drafting committee consisting of five members.

The revised Action Plan document was submitted to a cross section of national and industry-based trade union leaders and to a select group of chief executives from the public sector for their comments. On December 15 and 16, 1972, as many as 56 persons met at the India International Centre to discuss the revised Action Plan document. Almost three-fourths of the participants in this Seminar (41 out of 56) were trade union leaders. Therefore this first Seminar will be referred to as the Seminar of trade union leaders.

A day after the first Seminar ended, another Seminar was held at Vigyan Bhavan, New Delhi, on December 18 and 19, 1972. The second Seminar was attended by 37 participants, 28 of whom (75 per cent) were senior management personnel of public sector enterprises. This second gathering will be referred to as the Seminar of the management group. The participants of the second Seminar concentrated on some of the issues dealt with earlier by the trade union leaders. This was possible because a draft summary of the issues covered in the first Seminar had been circulated to the par-

Consolidation of its alliance with Left forces would depend largely on the mass base and strength of the Left parties themselves—especially the CPI(M). In a fit of impotent rage, Karunanidhi vowed at the peak of the election campaign that the wiping out of the two Communist parties from Tamil Nadu will receive the highest priority in the work of his ministry and party. This suggests that he is well aware of the potential danger to his own party from a Left Democratic front in Tamil Nadu.

The three Seminars failed to produce agreement on any of the following issues which have for long taxed the minds of those concerned with the question of industrial relations in India:

(1) *Registration of a Trade Union*: The management group favoured a change in the existing laws regarding registration. To discourage the mushrooming growth of unions, they suggested that the government should register only those unions which have the support of at least 10-15 per cent of the employees. However, the trade union leaders and the management personnel failed to agree over what should be the minimum qualifying membership for registration of a trade union.

(2) *Recognition of a Trade Union*: The trade union leaders could not agree among themselves over how to determine the recognised union. Some favoured the existing "verification" method while others were in favour of the "secret ballot". The management group left the matter entirely to the trade union leaders. They felt that the unions should resolve their own differences and that whichever proposal they agreed on would be acceptable to the management group. Thus the recognition issue still remains unresolved.

(3) *Third Party Intervention*: The trade union leaders favoured bipartite relations and, if necessary, voluntary arbitration. But the union leaders advocated that when both these steps failed, the two parties should be free to take "appropriate action" without any third party intervention. The management group, on the other hand, strongly favoured third party intervention in some form or the other. Each party stuck to its already well known position and so there was no agreement.

(4) *Workers on the Board*: The trade union leaders could not agree among themselves over workers' participation at the level of Board of Directors. The management group did not agree to the suggestion of union nominees to the Board. Thus the two parties failed to resolve the question of workers' representation on the Board, each for its own reasons.

(5) *Participative System*: Although both trade union leaders and management personnel accepted the idea of substantive participation, they seriously disagreed over how to operate the participative system. The trade union leaders favoured "co-control" and "determinative status" and not just "consultative status". They also cautioned that the participative system will not work unless all the parties were properly educated and unless the managers changed their present attitudes towards workers. The

Also, the revised Action Plan document was kept in the background for occasional reference when necessary.

Finally, a joint Seminar of the trade union leaders and the heads of public sector units was organised at Vigyan Bhavan on February 6 and 7, 1973. Also present at this third (joint) Seminar were officials from different Ministries of the Government of India, representatives of the Action Committee on public sector enterprises, and some specialists. In all 78 persons participated in the joint Seminar of whom 27 (34 per cent) were trade union leaders, 23 (29 per cent) public sector heads, 20 (25 per cent) government officials, 4 Ministers, and the remaining 4 academicians. The participants were supplied with the following documents: (a) the revised Action Plan document, (b) a summary of the issues covered in the first Seminar of trade union leaders and (c) a summary of the issues covered in the second Seminar of the management group. The Table gives a breakdown of participants in the three Seminars.

The organisers of the Seminars have prepared summaries of conclusions reached at each of the three Seminars. Based on these three summaries I have prepared a master summary of the outcome of this whole effort on the part of the Action Committee on Public Enterprises. To facilitate discussion, all the materials have been classified into a few broad topics and then for each topic I have tried to present in one place the substance of the deliberations of the three Seminars. Toward the end of the summary, I will present my critique of the outcome of the series of Seminars. It may be pointed out that, as the title suggests, this is a critique of the three Seminars and not of the draft Action Plan per se.

management group, while basically accepting the idea of participation, felt that the suggestions made by trade union leaders regarding "co-control" and "determinative status" needed further exploration and deliberation. Thus the question of participation too remained unresolved.

(6) *The Role of the Recognised Union:* The trade union leaders maintained that the "recognised" union should have a charter of rights while the "unrecognised" unions should deal with individual grievances and disputes in relation to their respective membership. Whereas the management group accepted the role of the "unrecognised" unions, as suggested by the trade union leaders, they wanted that a document be prepared laying down the norms governing the role of the "recognised" union.

(7) *Officers/Supervisory Associations:* There were two contradictory views which remained unresolved. According to one view, officers/supervisory associations should continue existing as independent bodies, but according to the other view these associations should be entitled to join the workmen's unions.

(8) *Welfare Measures:* The two parties generally agreed that social policy for the public sector can become a useful instrument in mitigating the consequences of inflationary pressures. When faced with operational details, however, the trade union leaders and the management personnel failed to agree over who should undertake the distribution of subsidised essential commodities.

ACHIEVEMENTS

On the positive side, the trade union leaders and the management personnel readily agreed over the following issues:

(1) *Personnel Function:* The two parties agreed that (a) the bureaucratic culture should be discounted; (b) to ensure continuity the deputationists should be allowed to continue for a considerable period; (c) the deputationists should be asked to make up their minds within a period of six months; (d) the government officials should not be barred from moving into the higher ranks in public sector units; and (e) the personnel function should gradually shift to a performance-based reward system at least for the managerial group.

(2) *The Role of Ministry Officials:* It was agreed that the Ministry officials on the Boards of public sector enterprises should play a facilitating role in dealings between the Board and the government.

(3) *Craft Unions:* The two parties agreed that the general trade unions should try to gradually integrate the craft unions within their fold.

(4) *Shop Councils:* There was agreement over the functions of the proposed

Shop Councils.

(5) *Unit Level Enterprise Council:* There was broad agreement over the structure and functions of the proposed unit level Enterprise Council.

(6) *Communication System:* To develop an effective communication system it was agreed (a) to demarcate issues in terms of bargainable and non-bargainable, (b) to have direct and fast communication between managers and the top management, and (c) to evolve an upward communication system through joint union-management efforts.

(7) *Social Policy:* It was generally agreed that as far as possible welfare measures in the public sector should be uniform and that social policy for the public sector should be evolved in the context of the basic objectives of the Fifth Plan.

(8) *Appropriate Government:* The general view was that the Central Gov-

ernment should become the "appropriate government" for the public sector enterprises controlled by the Central Government, as is the current practice with regard to Railways, Ports and Docks, Banking, Insurance, etc.

DISCUSSION

The preceding summary of conclusions shows that in half of the cases it was possible for the trade union leaders and the management personnel to reach an agreement, while in the case of the other half of the two parties continued to be divided and, therefore, failed to resolve the issues. On the surface at least this record of achievement appears to be quite impressive. However, a closer look at the preceding summary shows that the so-called gains are deceptive and that there is no cause for jubilation.

It goes without saying that the topics on which agreement was reached between

the parties were all non-controversial to begin with. For example, few will disagree with the view that the bureaucratic culture should be discounted; that the reward system should be performance-based; that the deputationists should make up their minds within a specified period; that the Ministry officials should help rather than hinder the relationship between the public sector units and the government; that there should be direct and fast communication between different levels of management; that there is a need to have a system of upward communication; that as far as possible there should be uniform welfare measures in the public sector; and that social policy for the public sector should be consistent with the basic objectives of the Fifth Plan.

Few are likely to disagree with the views just mentioned because these have become more or less clichés. While it is certainly useful to have an occasional public affirmation of even the well-accepted views, the crux of the problem lies in their implementation. None of the three Seminars went into the operational details showing how to discount the bureaucratic culture in a public sector unit, or how to switch to the performance-based reward system, and so on. In view of these considerations, many of the so-called achievements shown on the "credit" side are misleading.

On the "debit" side, the trade union leaders and the management personnel could not agree on any of the critical issues that directly influence the climate of industrial relations in the country. Questions like registration and recognition of a trade union, intervention by the third party, and workers' participation in management could be considered the nuts-and-bolts of industrial relations, not only in the public sector but also in the private sector. These issues have for long defied easy solutions and we are no nearer a solution as a result of the Seminars reported here.

The organisers of the various Seminars had planned that after the draft Action Plan document had been discussed by (a) a cross section of the national and industry-based trade union leaders and (b) a select group of chief executives from the public sector, it would be finalised for the consideration of the government. It was also decided in the third (joint) Seminar that the basic ideas that emerged out of the three Seminars should be presented to the Ministry of Labour for appropriate action. This decision was based on the hope that some of the ideas emerging from the Seminars would provide a useful guide to the proposed industrial relations legislation.

Looking at the record of achievements

TABLE				
Seminars	1st Seminar (Dec 15-16)	2nd Seminar (Dec 18-19)	3rd Seminar (Feb 6-7)	All 3 Seminars Together*
	Union	Mgt	Union + Mgt	
Participants				
Ministers	5	3	4	12
Govt Officials	4	3	20	27
Mgt Personnel	5	28	23	56
Union Leaders	41	1	27	69
Academicians	1	2	4	7
Total	56	37	78	171

* It may be pointed out that many of the participants attended more than one Seminar and some attended all the three. Therefore, the total number of participants shown in this column is naturally higher than that actually involved with the three seminars.

and failures of the Seminars, one wonders whether we have a learned anything new that was not known already or whether we are any nearer solving the difficult problems of industrial relations in this country. Both the agreements as well as disagreements between labour and management, as highlighted by the series of Seminars reported here, have been well known to those connected with the subject of industrial relations. In view of this, the knotty problems of industrial relations remain just as complex today as they were before the Seminars were held.

Even if one considers the agreements reached between the parties to be significant, their relevance to the impending industrial relations legislation seems questionable. Things like rational personnel policies, better communication systems, attitudes and behaviours of Ministry officials, and integration of craft unions with industry unions do not require and need not wait for legislation by the government. At the grass-roots level, where implementation of such innovations is to take place, what is required is not public pronouncements and declarations at the national level but education of the concerned personnel at the unit level.

Of all the unresolved issues listed on the "debit" side, the most fundamental is the question of "recognition" of a union. The three Seminars reported here as well as several other such seminars and conferences held during the last many years have all pinpointed the area of disagreement. Whereas most of the major trade unions in India today are in favour of using "secret ballot" as the method of determining union recognition, a few of them (especially INTUC and its affiliates as well as the recently formed National Labour Organisation) have consistently opposed this method and have favoured the continuation of the existing "verification" method.

The pros and cons of using one method as against the other are too well known to require elaboration here. If therefore, the recognition question has not been resolved so far it is not because we do not know what is the right course of action to take. Rather, it is because certain vested interests are being protected through prolongation of the controversy. Meanwhile, the nation is paying a terrible price through inter-union rivalry and its manifestation in many ugly forms. While it is true that settling the question of "recognition" will not remove inter-union rivalry altogether, it will certainly reduce much of the industrial relations conflict both in the public and the private sectors.

It will be naive to imagine that given proper atmosphere for a dialogue and sufficient time, the parties concerned will be able to resolve their differences over matters like union recognition. This has not happened in the last 25 years and may not happen in another 25 years. This is the time, therefore, to stop going for soft options and start making some hard choices. If the government as the third party really wants to play the role of an unbiased mediator between labour and management, then the only rational choice it can make is to allow the workers to "elect" the union of their own choice.

When the workers are granted the right to choose their own union as suggested above, many of the secondary problems of industrial relations (e.g., registration of a union, multiplicity of unions, inter-union rivalry, litigation, third party intervention, and the like) will be considerably reduced. The responsibility to take immediate action, therefore, lies squarely on the shoulders of the government and not on the parties involved in the conflict.

[The author wishes to thank his many colleagues who made valuable comments on the first draft of this paper.]

Institute for Social and Economic Change

BANGALORE

Applications are invited for the following posts in the Institute in its education unit.

1. Fellow (Corresponding to University Reader)
2. Technical Assistant

Pay Scale: (1) 700-50-1250. (2) 210-10-290-15-320/EB-15-425.

Allowances: Same as admissible in Bangalore University.

Qualifications: (1) Ph.D. in Education/M.Ed. First/high second class, minimum ten years' teaching experience of B.Ed./M.Ed. classes/experience of educational administration/extension education. Preference will be given to candidates with doctorate and with experience of conducting and guiding research.

(2) M.Ed. first/high second class plus experience of not less than three years in teaching and/or research.

The selection committee may relax qualifications in exceptional circumstances and can also consider suitable candidates from outside the list of applicants.

Candidates from the Scheduled Castes and Tribes are requested to mention the fact in their applications.

Candidates should give their bio-data stating age, qualifications and publications and names of two academic referees. Applications should reach the Registrar, ISEC, Carlton House, Palace Road, Bangalore-560 001 not later than 14th June, 1973.

M R Koneri Rau
Registrar

Central Bank of India
Balance-Sheet as at 31st December, 1972

CAPITAL AND LIABILITIES					
31st December, 1971 Rupees		Rs.	Ps.	Rs.	Ps.
4,75,14,600	1. CAPITAL :—			4,75,14,600.00	
	Paid-up Capital (wholly owned by Central Government)				
8,25,88,080	2. RESERVE FUND AND OTHER RESERVES :—				
53,29,771	Reserve Fund	8,34,88,079.54			
1,50,000	Contingency Fund	53,29,770.96			
3,63,700	Development Rebate Reserve	1,50,000.00			
3,61,519	Capital Suspense	3,63,700.00			
	Share Premium Suspense	3,61,519.25			
8,87,93,070				8,96,93,069.75	
3,43,62,34,094	3. DEPOSITS AND OTHER ACCOUNTS :—				
1,80,82,94,244	Fixed Deposits and Cash Certificates	4,17,45,90,555.03			
1,58,45,49,726	Savings Bank Deposits	2,08,66,18,742.34			
6,82,90,78,064	Current Accounts, Call Deposits, Contingency Accounts, etc. (including Staff Gratuity Fund Rs. 1,61,50,000.00)	1,78,65,40,590.77			
				8,04,77,49,888.14	
	4. BORROWINGS FROM OTHER BANKS, AGENTS, ETC. :—				
		In India	Outside India		
	(1) Secured	Rs.	Ps.	Rs.	Ps.
8,91,50,000	(a) By part of Investments and bills per contra	41,75,000.00			
	(b) In respect of borrowings (secured by part of advances per contra) from :—				
	(i) The Industrial Development Bank of India	2,03,17,624.00			
2,33,91,224	(ii) The Agricultural Refinance Corporation	1,68,51,894.00			
61,66,090	(iii) Other Financial Institutions	2,40,00,000.00			
1,85,00,000					
2,17,78,854	(2) Unsecured	76,00,641.98	55,12,492.63		
15,89,86,168		7,29,45,159.98	55,12,492.63		
9,41,32,857				7,84,57,652.61	
	5. BILLS PAYABLE			9,00,61,770.60	
	6. BILLS FOR COLLECTION BEING BILLS RECEIVABLE AS PER CONTRA :—				
40,14,67,316	(i) Payable in India	45,40,77,208.39			
4,53,53,773	(ii) Payable outside India	5,61,97,573.54			
44,68,21,089				51,02,74,781.93	
14,81,66,458	7. OTHER LIABILITIES :—				
1,65,56,813	Branch Adjustments	16,28,48,782.44			
8,78,165	Amount owing to Subsidiary Company (including on their Clients' Account)	1,66,37,286.73			
53,80,155	Unclaimed Dividends	8,54,482.83			
	Rebate on Bills Discounted	1,13,44,263.75			
17,09,81,591				19,16,84,815.75	
36,15,34,746	8. ACCEPTANCES, ENDORSEMENTS AND OTHER OBLIGATIONS AS PER CONTRA			35,20,94,779.00	
	9. PROFIT AND LOSS :—				
2,88,55,512	Balance as per last Balance Sheet	41,41,683.89			
2,88,55,512	Profit for the year	41,41,683.89			

Central Bank of India
Balance-Sheet as at 31st December, 1972

PROPERTY AND ASSETS					
31st December, 1971 Rupees		Rs.	Ps.	Rs.	Ps.
56,34,95,062	1. CASH :—				
	In hand and with Reserve Bank and State Bank (including foreign currency notes)			67,05,48,197.02	
1,70,94,706	2. BALANCE WITH OTHER BANKS :—				
1,22,67,846	On Current Account:	Rs.	Ps.		
	(i) In India	1,30,18,534.08			
2,93,62,552	(ii) Outside India	1,18,71,412.12			
				2,48,89,946.20	
	On Deposit Account:				
	(i) In India	—			
2,93,62,552	(ii) Outside India	1,88,000.00			
80,00,000				1,88,000.00	
1,76,66,00,785	3. MONEY AT CALL AND SHORT NOTICE INVESTMENTS :— (At below Market Value)				
	(i) Securities of the Central and State Governments and other Trustee Securities			2,50,77,946.20	
	Treasury Bills of the Central and State Governments			11,56,00,000.00	
	Fully Paid	Partly Paid			
	(ii) Shares	Rs.	Ps.		
86,27,703	(a) Preference	83,51,333.26			
3,60,90,903	(b) Ordinary	2,42,52,459.68	91,02,328.40		
57,799	(c) Other Classes	57,798.75	—		
4,47,76,405		3,26,61,591.69	91,02,328.40	4,17,63,920.09	
2,67,18,752	(iii) Debentures or Bonds			4,10,34,790.02	
4,52,610	(iv) Other Investments			4,52,610.00	
	(v) Gold				
1,83,85,48,552	5. ADVANCES :—				
	(Other than bad and doubtful debts for which provision has been made to the satisfaction of the Auditors)				
3,42,15,39,306	(I) Loans, Cash Credits, Overdrafts, etc.:				
	(i) In India	3,71,04,52,761.52			
	(Includes an amount of Rs. 6,11,69,518.00 relating to medium-term advances in respect of which finance has been obtained from the Industrial Development Bank of India, the Agricultural Refinance Corporation and other Financial Institutions as per contra)				
	(ii) Outside India	70,03,401.93			
91,67,419				3,71,74,56,163.45	
3,43,07,06,725	(II) Bills Discounted and Purchased:				
1,24,12,72,022 *	(i) Payable in India	85,90,68,281.67			
9,95,56,760 **	(ii) Payable outside India	12,67,63,323.34			
1,34,08,28,782				98,58,31,605.01	
4,77,15,35,507	* Includes Rs. 2,25,00,000 under Bill Market Scheme of Reserve Bank of India per contra			4,70,32,87,768.46	
	** Includes Rs. 5,25,00,000 under Pre-shipment Credit Scheme of Reserve Bank of India per contra				
	PARTICULARS OF ADVANCES				
3,60,81,66,499	(i) Debts considered good in respect of which the bank is fully secured			3,75,25,60,450.65	
21,29,28,851	(ii) Debts considered good for which the bank holds no other security than the debtors' personal security			24,46,24,955.78	
95,04,40,157	(iii) Debts considered good, secured by the personal liabilities of one or more parties in addition to the personal security of the debtors			70,61,02,362.03	
	(iv) Debts considered doubtful or bad not provided for			—	
4,77,15,35,507				4,70,32,87,768.46	

Central Bank of India
Balance-Sheet as at 31st December, 1972

CAPITAL AND LIABILITIES							
Rs.	Ps.			Rs.	Ps.	Rs.	Ps.
58,00,000		Less :- Appropriations:					
		Transferred to Reserve Fund	9,00,000.00				
		Provision for Bonus to Staff					
1,97,00,000*		(including Rs. 21,00,000/- for					
		Diamond Jubilee Bonus)					
2,55,00,000				9,00,000.00			
33,55,512		Balance to be transferred to the				32,41,683.89	
		Central Government					
10. CONTINGENT LIABILITIES :-							
(31-12-1971)		(i) Claims against the Bank not					
4,43,11,008		acknowledged as debts	68,08,378.91				
1,10,63,342		(ii) On Investments in partly paid	1,05,21,317.50				
		shares					
64,38,27,389		(iii) On Letters of Guarantee on	63,51,63,176.83				
		behalf of Constituents (includ-					
		ing Rs. Nil on behalf of					
		officers)					
31,02,75,338		(iv) Liability on account of out-	35,07,14,574.47				
		standing Forward Exchange					
11,94,06,020		Contracts					
		(v) Liability on Bills of Exchange	11,43,11,443.94				
		Re-discounted					
8,20,11,97,697				TOTAL RUPEES		9,41,07,73,041.67	

Notes forming part of the Accounts :-

- (1) The actual amount of liability arising from future gratuities payable to staff has not been ascertained but is greater than the amount provided.
- (2) As returns in respect of Pakistan (including areas now comprised in Bangladesh) Branches have not been received for the period after 30th June, 1965, unaudited returns as at that date only have been incorporated in the Bank's Balance Sheet as at 31st December, 1972. As no further information is available, the assets and liabilities in Pakistan have not been shown in the Balance Sheet under the individual heads but only the net book value thereof has been incorporated.
- (3) The figures for the previous year have been regrouped where necessary and possible.
- (4) Certain old items in the branch reconciliations remain to be cleared. The balancing of general ledger with subsidiary ledgers/schedules remains to be completed at a few branches. The schedules supporting general ledger balances and reconciliation statements for accounts with other banks were not ready at a few branches. Necessary steps are being taken in this regard.
- (5) Bills of exchange amounting to DM. 10.5 millions reported to have been discounted with some German/Swiss Banks were purported to have been endorsed/guaranteed by the Bank's London Branch and in respect of claims relating to these bills legal proceedings had been instituted against the Bank. These claims have been settled by the date of signing the Balance Sheet at amount as advised by Bank's counsel. Provision, net of tax, in respect of claims settled after the date of the Balance Sheet has been made.
- (6) For the years 1970 and 1971 the provision for bonus disclosed as an appropriation of profits after transfer to the Statutory Reserve. For the current year, the said provision has been charged to the Profit and Loss Account.
- (7) There is a pending demand from the employees for payment of bonus for the year 1972 in excess of the amount provided. The provision made in the accounts is on the basis of the offer made by the management to the employees.

In terms of our report of even date attached
HARIBHAKTI & CO.
FORD, RHODES, PARKS & CO.
LOVELOCK & LEWES
Chartered Accountants

Bombay, 14th May, 1973

Central Bank of India
Balance-Sheet as at 31st December, 1972

PROPERTY AND ASSETS							
		Rs.	Ps.	Rs.	Ps.	Rs.	Ps.
95,24,549	(v) Debts due by officers of the bank or any of them either severally or jointly with any other persons	1,27,32,820.69					
	(vi) Debts due by companies or firms in which the directors of the bank are interested as directors, partners or managing agents, or, in the case of private companies as members						
	(vii) Maximum total amount of advances, including temporary advances, made at any time during the year to directors, or managers or officers of the bank or any of them either severally or jointly with any persons	1,27,32,820.69					
95,24,549	(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	1,47,21,558.95					
1,32,03,881	(ix) Due from banks						
40,14,67,316	6. BILLS RECEIVABLE BEING BILLS FOR COLLECTION AS PER CONTRA :-	45,40,77,208.39					
4,53,53,773	(i) Payable in India	5,61,97,573.54					
44,68,21,089	(ii) Payable outside India						
36,15,34,746	7. CONSTITUENTS' LIABILITIES FOR ACCEPTANCES, ENDORSEMENTS AND OTHER OBLIGATIONS PER CONTRA :-					51,02,74,781.93	
2,24,43,884	8. LANDS AND BUILDINGS :-	2,31,00,653.69					
	Cost as per last Balance Sheet	5,01,854.93					
2,24,43,884	Less: Cost of Property sold during the year	2,25,98,798.76					
6,56,770		32,25,911.50					
2,31,00,654	Add: Cost of Additions made during the year	2,58,24,710.26					
53,57,770		57,14,020.27					
1,77,42,884	Less: Depreciation written off					2,01,10,689.99	
6,09,97,988	9. FURNITURE AND FIXTURES :-	7,35,70,280.72					
1,25,72,293	As per last Balance Sheet	1,23,15,698.40					
7,35,70,281	Add: Additions less Sales made during the year	8,58,85,979.12					
3,04,12,949		3,65,22,136.47					
4,31,57,332	Less: Amount written off to date for Depreciation					4,93,63,842.65	
10,00,000	10. OTHER ASSETS :-	10,00,000.00					
2,35,45,976	Shares (Partly paid) of the Central Bank Executor and Trustee Co. Ltd. (Subsidiary Company) at Cost	3,68,02,522.00					
3,10,01,850	Interest accrued on Investments	6,42,44,474.00					
2,76,30,750	Income-tax paid in advance	1,64,74,000.00					
3,77,31,899	Share Application Moneys	5,14,98,803.50					
12,09,09,975	Sundry Advances, Deposits, Stamps, Stationery, Home Saving Sates, Safe Deposit Boxes, etc.					17,00,19,799.50	
89,998	11. NON-BANKING ASSETS ACQUIRED IN SATISFACTION OF CLAIMS (At book value) :-					89,998.15	
8,20,11,97,697				TOTAL RUPEES		9,41,07,73,041.67	

B. N. ADARKAR
Chairman & Managing Director

TARAKESWAR CHAKRABORTI
R. R. KUMAR
A. H. ELIAS
RAMSIYA KUNDER
G. B. NEWALKAR
C. S. VENKAT RAO
V. M. BHIDE

Directors

P. KRISHNA IYER
Officer on Special Duty

S. R. TIPNIS
General Manager
D. V. TANEJA
Deputy General Manager
N. M. MISTRY
Asst. General Manager.

Bombay, 10th May, 1973

Central Bank of India

Statement of Profit and Loss Account for the Year Ended 31st December, 1972

June 2, 1973

ECONOMIC AND POLITICAL WEEKLY

EXPENDITURE		INCOME (Less provision made during the year for bad and doubtful debts and other usual or necessary provisions)	
Previous Year Rupees	Rs.	Previous Year Rupees	Rs.
1. Interest paid on Deposits, Borrowings, etc.	23,20,71,836	1. Interest and Discount	54,69,88,036.93
2. Salaries and Allowances	19,19,32,453	2. Commission, Exchange and Brokerage	7,05,34,654.25
Contributions to Provident Fund	79,73,408	3. Rent on Bank's Premises (excluding Rent on Premises used by the Bank)	23,14,880.75
Bonus to Staff (See Note No. 7, on the Balance Sheet)	19,99,05,866	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)	—
3. Directors' Fees and Allowances	47,843	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)	—
Committee Members' Fees and Allowances	378	6. Income from non-Banking Assets, and Profit from sale of or dealing with such Assets.	—
4. Rent, Taxes, Insurance, Lighting, etc.	48,221		
5. Law Charges	1,54,19,817		
6. Postage, Telegrams and Stamps	6,33,840		
7. Auditors' Fees: To Statutory Auditors (including Branch audit fees) To Branch Auditors	61,68,865		
8. Depreciation on Banking Company's Property Repairs to Banking Company's Property Other charges on Banking Company's Property Depreciation on Furniture and Fixtures	3,42,000		
9. Stationery, Printing and Advertisements, etc.	2,08,000		
	5,50,000		
	3,54,787		
	1,99,688		
	3,37,344		
	52,25,842		
	61,17,661		
	88,89,784		

ECONOMIC AND POLITICAL WEEKLY

EXPENDITURE		INCOME (Less provisions made during the Year for bad and doubtful debts and other usual or necessary provisions)	
Previous Year Rupees	Rs.	Previous Year Rupees	Rs.
10. Loss from sale of or dealing with non-banking Assets	—		
11. Other Expenditure	1,79,66,333		
12. Balance of Profit See Note (4)	2,88,55,512		
	53,66,27,735		
		TOTAL RUPEES	61,98,37,571.93
			53,66,27,735
			61,98,37,571.93

Notes:-

(1) Particulars of remuneration paid to the Custodian/Chairman:

Previous Year Rupees	Rs.
46,370	
6,774	
3,864	
57,008	

(2) Salaries and Allowances include Rs. N I L, previous year Rs. 22,16,131 being bonus paid in excess of the provision made.
(3) Advertisement expenditure incurred during the year Rs. 12,56,932.74, previous year Rs. 8,88,264.
(4) The balance of Profit for the year 1971 is before providing for Bonus to Staff.

B. N. ADARKAR
Chairman & Managing Director
PARAKESWAR CHAKRABORTI
R. R. KUMAR
A. H. ELIAS
RAMSIYA KUNDER
C. B. NEWALKAR
C. S. VENKAT RAO
V. M. BHIDE
P. KRISHNA IYER
S. R. TIPNIS
D. V. TANEJA
N. M. MISTRY
Asst. General Manager.
Bombay, 10th May, 1973

In terms of our report of even date attached
HARIBHARTI & CO.
FORD, RHODES, PARKS & CO.
LOVELOCK & LEWES
Chartered Accountants

Bombay, 14th May, 1973

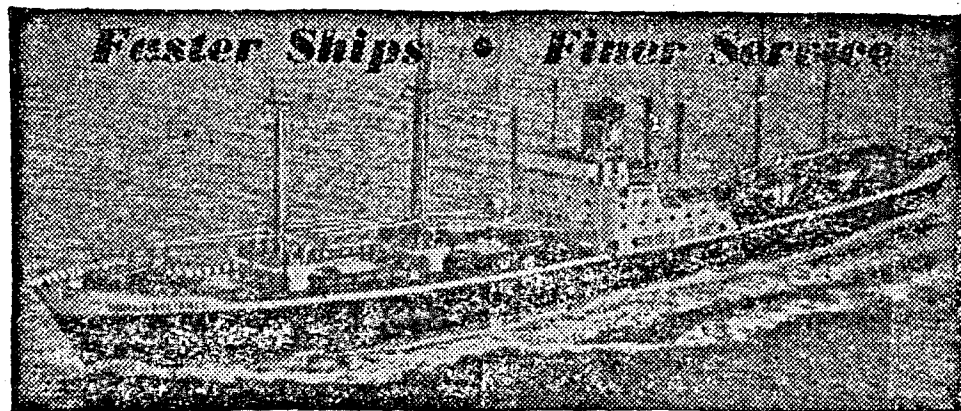
Auditors' Report to the President of India

1. We have audited the attached Balance Sheet of Central Bank of India as at 31st December 1972 and also the Profit and Loss Account of the Bank for the year ended on that date annexed thereto, in which are incorporated the returns of 168 Branches audited by us, 422 Branches audited by other auditors, 5 Branches in Pakistan (including areas now comprised in Bangla Desh) for which unaudited returns as at 30th June, 1965 have been incorporated and the unaudited returns in respect of 509 Branches not visited by us. The Branches to be audited by us and the Branches to be audited by other auditors have been selected by the Bank, in accordance with the guidelines issued to the Bank by the Reserve Bank of India.
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 related provisions of the Companies Act, 1956. Subject to the limitations of such disclosure and on the basis of the audit indicated in the first paragraph, we report that—
 - (a) In our opinion and to the best of our information and 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, 1972 and
 - (ii) the Profit and Loss Account read with the notes thereon shows a true balance of profit for the period covered by the Account;
 - (b) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and have found them to be satisfactory;
 - (c) The transactions of the Bank which have come to our notice have been within the powers of the Bank;
 - (d) The returns (except for Pakistan including areas now comprised in Bangla Desh Branches—See Note (2)) received from the Branches of the Bank have been found adequate for the purposes of our audit.

HARIBHAKTI & CO.
FORD, RHODES, PARKS & CO.
LOVELOCK & LEWES

Chartered Accountants

Bombay, 14th May, 1973



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ECONOMIC AND POLITICAL WEEKLY

June 2, 1973

LAOS

At Pathet Lao Headquarters

Harish Chandola

A VAST valley ringed with towering mountains opens up. It is not cultivated, but is free of the dense forests that cover the higher reaches of the mountains. The earth is dark, burnt brown.

Within the valley are several smaller limestone hills, living under the shadow of the towering ones. In them there are hundreds of caves, and while driving as you turn a corner, you can see, here and there, small bamboo-mat platforms nestling under cliff overhangs. The people living in the dark caverns use these platforms for enjoying the natural light and sunshine for a few hours when the US planes are not overhead.

One does not see much activity at the cave mouths. The road winds between the smaller hills and then leads up to the entrance of a cave. There is a tall Laotian in a blue jacket there to welcome us. We are led into a fabulous man-made cave. A stone and cement-concrete wall eight feet thick and twenty feet high protects the entrance of the cave from splinters of bombs falling in the neighbourhood. We wind our way around more cement-concrete walls inside, measures of protection against bomb-blasts. This is the guest house or guest cave of the headquarters of the Lao Patriotic Front (LPF), popularly known as the Pathet Lao.

The space within the cave is divided with wooden partitions. A door in a partition is opened and we are led into a large hall, lit with two kerosene lanterns. Otherwise, it would be pitch dark inside. In the hall there are several sofas, well-upholstered, a settee, a coffee table and small side tables. The coffee table is covered with a hand-woven intricately-patterned cloth the Laotian women weave on their looms. There are flowers in a vase made out of the metal from shot-down US planes.

A light floats through the darkness and when it comes near we see a Laotian woman in her traditional sarong, lantern in hand, bringing us a pot of hot tea. The tea is in a delicate China pot and the cups into which it is poured are equally delicate.

In brighter light, I see electric wires running along wooden beams and a large electric lamp on the ceiling. There are switches on the wooden walls. Over wooden beams a canopy of white cloth is stretched to create the impression of a ceiling. Beyond the point where the canopy ends, one can see the corrugated

galvanised iron sheets providing a proper roof under the rock. They prevent the rock from dripping water on you and help in keeping the living and working quarters a little less damp.

After tea, I am shown to my room which is further into the cave, along a cemented, plank-walled passage. There are curtains on the door and on the wooden frames, cut like windows, of the room given to me. The plank-walls of the room do not reach up to the tin roof and end eight feet above the floor. In this cave-room there are three beds, one with a clean, white mattress, sheets, pillows, a quilt and a mosquito net. There is nothing on the other two beds. In a corner, there is a coat and hat stand and there are two kerosene lamps aglow on two tables, one near the bed. The writing table has a neat table-cloth and two chairs near it. In an enamel tray there are two light-blue enamel mugs, an ash-tray and on a plate a packet of 20 Chinese cigarettes and a "Double Happiness" matchbox, also from China. Also there is a thermos flask full of hot water and a bottle of cold, boiled water.

DREAM CAVE

It is frightfully cold inside the cave. There is no wind, but the cold just gets into your bones. Being here is like returning to one's childhood dreams of living in a cave. The wonder of being in a cave does come back even to grown-ups when they enter one for the first time.

I go out. It is bright daylight, though clouds still cling to the cliffs. Flowers are planted at the entrance. A little beyond, there are small squares of onions and lettuce on soil brought up from elsewhere and piled on top of chipped rock. A little below, on the valley floor, there are cabbage patches, tended by the keepers of this cave, and in and around the patches are bomb-craters showing that the cave-mouths had been severely bombed.

Higher on the hill, under a overhang, there is a water-tank. Pipes lead from it into washrooms. The toilets in the cave are of glazed China with a flushing system. Almost everything in this cave has been brought from places thousands of miles away, part of the way on human backs and then over very bumpy motor roads. I marvel at the care taken in bringing these very

fragile things to this remote area.

As I sit down to write this, electric lights overhead begin to glimmer. An electric generator is being switched on. After flickering a couple of times, the lights become steady.

After a while lunch is served. Again elaborate care. Cut-glass from Czechoslovakia laid out. The dining-room is brightly lit with tube lights. In a corner, a cupboard full of cut-glass. Lunch is relatively a simple fare. Carrot soup, chicken curry and rice and tinned pear-halves in syrup from China. We greatly relish the food. It is our first meal after the bowl of noodles in Mac Chou.

Among the hundreds of caves around, some are so large that over 500 people, or the population of two villages, lives in them. Sam Neua province, where we are, was the first to be completely liberated during the first Indochina war. The Geneva Conference of 1954 had asked the Pathet Lao forces to regroup in Sam Neua, so that the French could withdraw their forces from precarious and untenable positions and take them home.

When US planes began bombing every village and hamlet in Sam Neua in 1964 and destroyed every single house, the survivors simply moved into the natural caves, because they were the safest places to live in.

The LPF (Pathet Lao) leaders including Souphanouvong, its Chairman, also moved into the caves. Soon they found that there were not enough caves to accommodate the entire population of Sam Neua province. And so the LPF began building new caves by blasting mountainsides with dynamite. It was in this process that the Central Zone (the term used for the headquarters) came into being. In the area where the leadership lived, new caves had to be created to accommodate members of the Central Committee of the LPF, its offices, cadre training schools, workshops to maintain and repair arms and motor vehicles and later safe parking places for armoured cars and tanks.

From the Central Zone I made several visits to various areas where the villagers lived and to institutions created by the LPF. This enabled me to see and understand that a new civilisation was being developed by these people who had been forced to live in caves.

At dawn a loud bell rang for a while. In a few minutes people appeared at cave mouths and in that dim light began their exercises. Then they disappeared into the caves again. Since this was the Central Zone, the people I saw exercising were the leaders, their families and cadres working at the headquarters. But later I was to see

similar exercises at the twilight hour at the mouth of other caves where the villagers of Sam Neua province lived.

How did it feel to live in the twentieth century in mountain caves like prehistoric man? Before I tell you what the villagers told me, I would like to record by own experience. Though the cave in which I was housed was one of the very best, it was extremely inconvenient and uncomfortable to stay inside. It was pitch dark all the time. The nights I spent there were very cold. Living and working areas smelt of kerosene fumes all the time. In my cave there was electric supply, but it was switched on only thrice daily, mornings from 6 to 7 for breakfast, from 11 to 12.30 for lunch and from 6 to 9 in the evening.

The first two nights I had nightmares. I dreamt I was in a tomb. In the morning after my first night in the cave, I woke up with a fever. That evening a medical assistant, a girl of the Meo tribe, who looked after the health of villagers in one of the liberated zones, called at the guest cave. She was very charming and began by saying that it was the first time that they had an Indian guest in their Central Zone and that the Lao people were very thankful to the Indian people and government for their support to the Lao struggle. After such pleasant talk, she asked: "And how is the health of our guest?" I said I was well, but the interpreter interrupted and told her that I had woken up with a fever, though I was able to go around visiting places during the day without difficulty.

HEALTH FACILITIES

She said I need not worry about that, because the entire people of Sam Neua, when they first moved into the caves, had fever, some for a few days and others for a week. The fever had something to do with getting used to living in a cave. "If you move into a cave in Laos, you cannot escape this fever", she said. Then she opened her big brown leather bag, on which a red cross was painted prominently, took out two bottles from it, handed them to me and prescribed that I must swallow four pills from one bottle and also four from another, daily. One contained capsules and the other some white tablets which I thought were some sort of sulphur preparations, both made in China. After telling me something about the health facilities the Central Committee of the LPF had created and adding that there were medical assistants like her in all parts of the liberated area, she said goodbye and left.



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FEES

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APPLICATION & ENQUIRIES

Last date for applications: June 30, 1973.

Please write to Manager (Publications), Indian Institute of Management, Vastrapur, Ahmedabad 380 015.

Parliament, the Executive and Public Sector Enterprises

B L Maheshwari

Politics, Finance and the Role of Economics: An Essay on the Control of Public Enterprises, by C D Foster, London, George Allen and Unwin; p 232.

THE triangular relationship between the Parliament, the Executive and the Boards of the Public Sector enterprises has attracted considerable attention of those involved in formulation and implementation of public sector policy as well as those who are engaged in interpreting and understanding this sector. The book under review attempts an examination of this complex relationship essentially in the context of the political and administrative system of Britain. The author of this book brings the perspective of an economist to this task and the bias of one looking at the problem from the civil service end. The discussion in the book is based on the author's experience with transport and utility corporations where interaction between business and social considerations is very close.

OTHER SIDE OF THE FENCE

Since the author has known the public sector enterprises essentially from the other side of the fence, he seems to be in favour of more intervention by the Minister—naturally, assisted by the civil servants like himself. This preference is not explicitly stated in the book but has been laboriously worked out in many places. For example, after a long discussion on powers of appointment, he turns down the position, "choose the right man and then let him get on with the job", by saying that it is, "an impossible ideal as things now stand" (p 76). Besides the personal preferences of the author, the weak empirical base for discussion is a prominent feature of this book. The author's approach is based on the analysis of statutes, White Papers and other similar documents. This fails to bring out the dynamics of this triangular relationship.

In the first two parts of the book, the author discusses the existing pattern in government-enterprise relationship in Britain and finds it less than

satisfactory. Then he examines the "alternative developments" including politicisation of administration, subordination of nationalised industry, competition, discipline of the finance market, etc, and highlights the inadequacies of these. Finally, as expected by now, he suggests methods of strengthening Ministerial control. The main thesis of the book is that the absence of effective financial control over nationalised industry is the main source of most of the problems. The entire book reflects an obsession with this concern. His argument is that, "the financial discipline that can be exerted by the finance market can, and indeed should, be exercised by the government in relation to nationalised industries" (p 159).

"STRATEGIC CONTROL"

As everyone knows, the important issue in the triangular relationship relates to the marking of the dividing line between autonomy of the enterprise on the one hand and the control by the government on the other. In this context, the author refers to the report of the Select Committee on Nationalised Industries on "Ministerial Control of the Nationalised Industries" (1968), which concluded that the Ministers' function should be confined to "strategic control" and the Boards of the enterprises should have "tactical command". However, he argues that a dividing line between policy making and implementation is not workable because lack of clarity about objectives is the prime cause of much of the confusion. He suggests that policies of public sector enterprises are not defined precisely in the statutes because of the desire to maintain flexibility in interpretation. The author also points out that the Boards in Britain are held responsible to Parliament for the financial position of the enterprises and thus the system operates to ensure less effective control by the

Minister. He asserts

The powers of a Minister, and by delegation of his department, are greater than those of a minority shareholder but less than those of a majority shareholder or holding company. The metaphor of the Minister or government as a shareholder or holding company, though often used in seriously misleading. The assets of nationalised industries are not vested in the Minister or in the Crown. They are their own proprietors (p 57).

This is rather an interesting statement making out public sector managements to be self-perpetuating managements, without intervention of the invisible owners.

POWER OF PERSUASION

Foster also refers to the "practical independence" of the Boards of public sector enterprises and argues that the power of the Minister is essentially that of persuasion and that "the opportunity and the right to persuade is not a power to command obedience" (p 86). It seems that this assertion misses a very important point of relationship in the administrative system. It may be useful here to remind Foster that President Harry Truman perceived the power of the American president essentially as one of persuading people to do things they ought to be doing themselves. Thus, if one takes the dynamic view of reality, one can appreciate that people located at high points in the decision-making process, such as Ministers, have considerable power to persuade others to their way of thinking.

This book has a message. It argues a case which boils down to a repeated plea to allow the civil servants in the ministries to intervene more frequently in the matters of expenditure incurred by the public sector enterprises. The author uses the concept of strategic financial control (chapter 16) as part of the strategy for strengthening ministerial control but he has not tried to develop his general ideas into actionable recommendations. On the whole, the author has given rather a mediocre treatment to an important subject and therefore the book fails to hold the interest of even an interested reader. Nevertheless, the book succeeds in raising some pertinent questions about the nature of government-enterprise relationships. Even if one finds oneself in disagreement with some of the views expressed in this book, the discussion raised here has relevance for all situations where public sector enterprises have come to occupy important position in the national economy.

Unfair Balance

A G Noorani

Libel and Slander by Peter F Carter-Ruck; Faber and Faber, 1972; agents: Oxford University Press; £ 10.

"LIBEL and Slander. The very words themselves conjure up a daunting vision of menacing muddle, not only in the minds of laymen but, regrettably, also in the minds of practitioners, even those who enjoy the reputation of being experts in this branch of the law." This is quite a confession, coming as it does from a QC who is acknowledged to be one of the ablest in libel cases, Colin Duncan.

In his Foreword to the book he commends it particularly to the layman and to the Judge who tries such cases, a testimony to the erudition and the readability of the work. "He has produced a book that is not just a work of reference but a book that can be read—read and understood—yes—read and enjoyed!"

It is a well-deserved testimonial. Not only is it a comprehensive work on the law of libel and slander in England today after the enactment of the Defamation Act, 1952, but is also a good guide to the essentials of the law on the subject in most of the principal countries of the world; over fifty countries, in fact. This is quite a feat. It makes the work useful to those whose activities take them into the international field and who may be concerned in defamation proceedings abroad, whether as complainants or as the aggrieved.

Thanks to the lucidity of the style, those who derive their livelihood from literature, the arts, television, radio, advertising, in industry and the professions will be able to consult it.

The law must strike a fair balance between the individual's right to secure redress if he is unfairly attacked and the right of the press to investigate and comment freely on matters of public interest. Does the law attain this balance?

"If any one wishes to be certain that he will not render himself liable to pay damages for libel the advice which he must be given is simple though drastic. He would have to refrain from writing, printing or publishing or distributing, any written matter of whatsoever nature. Until 1952 certainly any relaxation of this stringent standard of conduct would have involved at least some element of risk. Since, however, the Defamation Act, 1952, came into force the balance between the complainant and writer has been more equitably balanced by the introduction of the defence of Unintentional Defamation which in effect provides a defence, for the writer, publisher and printer whensoever the publication is

'innocent' as defined by the Act and an 'offer of amends' has been made in the form prescribed by the Act."

Unfortunately, in our country no comparable provisions have been introduced and the law is substantially the same as in England without the ameliorating effect of the Defamation Act, 1952. In India, defamation as a tort is based almost entirely on case-law. As a crime it is defined in Section 499 of the Indian Penal Code.

As well as being a thorough survey of case-law the work contains the texts of all the pertinent Statutes, including the Act of 1952. This statute treats the broadcasting of words "as publication in permanent form", and dispenses with the necessity to prove special damage in an action for slander. But it relaxes the law

in other and more important respects.

The defence of justification or fair comment will not fail by reason only that the truth of every allegation is not proved if what is proved is substantial enough so that what is unproved does not materially affect the plaintiff's reputation. Or, if in a similar circumstance, the comment is fair on the whole.

Publication in newspapers of reports of proceedings of legislatures, courts, inquiries, other public bodies, private associations and even public meetings is privileged unless the publication is proved to be made with malice. In the last mentioned case, the aggrieved person is obliged, first, to ask the newspaper to publish "a reasonable letter" by way of explanation or contradiction. He can sue only if the newspaper fails to comply. Finally, there is the new category of defence introduced by the Act, namely, unintentional defamation for which a new procedure "offer of amends" is also devised.

A similar reformatory Act in our country is clearly overdue.

Centre for Development Studies

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Applications should reach the Director not later than July 15, 1973.

SPECIAL ARTICLES

Marginalist Explanation for More Intense Labour Input in Smaller Farms

Empirical Verification

Ashok Rudra

with the statistical assistance of

Bela Bandopadhyaya

As farm size increases, labour gets employed with increasing quantities of land and capital, but capital increases at a slower rate than does land. This results in increase in the average productivity of labour, but at a very low rate—at a much lower rate than the rate of decrease of labour input per acre.

If this increase in labour productivity gets more than counterbalanced by the increase in labour input per acre that goes with it, the net result would be diminishing yield per acre—as has allegedly been observed to hold quite generally.

This paper seeks to show that the marginalist model which has been used to explain this phenomenon in terms of the composition of labour consisting of family labour and hired labour does not seem to work.

WE present in the following some quantitative results pertaining to the interrelations between (i) the composition of farm labour in terms of hired labour and family labour; (ii) the intensity of application of human labour to cultivation; (iii) the productivity of the human labour input into cultivation; (iv) the productivity of land; and (v) the size of farm in terms of acreage of net cultivated area. Our results reject certain hypotheses which are quite widely held and which have been assumed by certain research workers in deriving certain far-reaching conclusions. Certain other hypotheses get confirmed by our data. No generality is claimed either for the rejections or for the confirmations. Our data consist of 149 sample farms, drawn

randomly from the Hooghly district of West Bengal; the time reference is the agricultural year 1970-71. One can think of any generalisation on a countrywide basis only after the hypotheses tested here have been tested—similarly or otherwise—with reference to other data drawn from other regions. It should be kept in mind, however, that most of the generally held ideas examined here have been so held purely on a *a priori* common sense or theoretical grounds; there has been hardly any empirical verification of any of them with Indian data.

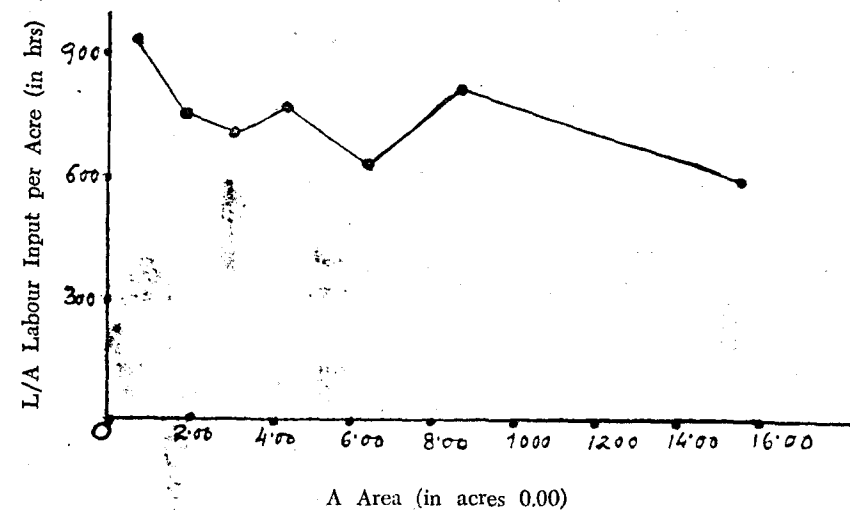
We shall first of all take up the marginalist reasoning about the varying intensity of labour use, between farms based on family labour and farms based on hired labour. The late 19th century

Russian economist, Cheyanov, argued that under *ceteris paribus* conditions the family-labour based farm would use labour more intensely than the hired-labour based farm, because the latter would not use labour beyond the point at which the marginal productivity of labour starts to go down below the market wage rate, whereas no such consideration would generally apply to the family-labour based farm in labour-surplus economies. A similar argument was used by A K Sen [2] to explain the alleged superiority of small farms over big farms in respect of value of yield per acre of land cultivated. Small farms are largely family-labour based farms and bigger farms largely hired-labour based, and this according to Sen results

TABLE 1: DEPENDENCE ON SIZE OF FARMS

Size Groups (acres)	Number of Farms	Average Farm (acres)	Labour Input per Farm (hrs)	Labour Input per Acre (hrs)	Proportion of Family Labour to Total Labour	Average Productivity of Labour (Rs)
	n	A/n	L/n	L/A	$\frac{L_f}{L_f + L_h}$	O/L
0.01- 1.25	53	0.75	701.70	932.55	0.5989	1.2258
1.25- 2.50	40	1.96	1485.19	758.52	0.5411	1.3872
2.50- 3.50	16	3.04	2162.91	712.21	0.5545	1.5359
3.50- 5.00	9	4.24	3273.17	772.17	0.2653	1.5940
5.00- 7.50	19	6.19	3948.50	637.61	0.4296	1.4903
7.50-10.00	9	8.59	6176.44	718.75	0.3251	2.0284
10.00 and above	3	15.53	9135.33	588.11	0.1409	2.1185
All groups	149	3.00	2138.78	713.69	0.4296	1.6022

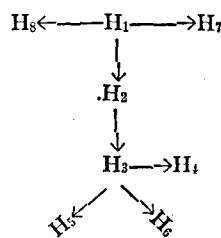
DIAGRAM 1: GRAPH SHOWING LABOUR INPUT PER ACRE AGAINST FARM SIZE



Hypothesis H_7 : Higher the proportion of family labour to hired labour, lower the productivity of labour.

Hypothesis H_8 : Higher the proportion of family labour to hired labour, higher the productivity of land (that is, yield per acre).

The marginalist argument can be represented in the form of the following network:



in higher intensity of labour application on small farms—which in turn gives rise to a higher level of output per unit of land.

The above reasoning can be broken down into the following hypotheses:

Hypothesis H_1 : Larger farms have a higher proportion of hired labour to family labour.

Hypothesis H_2 : All other factors are applied with equal intensity (that is equal per acre rate) on all sizes of farms.

Hypothesis H_3 : Higher the proportion of family labour to hired labour, higher the intensity of application of labour.

Combining H_1 , H_2 and H_3 we can obtain

Hypothesis H_4 : intensity of labour input (that is per acre labour input) goes up as farm size becomes smaller.

Hypothesis H_5 : Higher the intensity of application (that is,

per acre input) of labour, higher the yield per acre.

Hypothesis H_6 : Higher the intensity of application of labour, lower the productivity of labour (that is, output per unit of labour input).

We find that our data confirm hypotheses H_1 , H_4 and H_5 , reject H_3 and H_8 , and lend rather weak and questionable support to the hypotheses H_6 and H_7 . But the marginalist position is centred precisely on H_3 and H_8 . The idea is precisely that family labour is used more

DIAGRAM 2: GRAPH SHOWING PROPORTION OF FAMILY TO TOTAL LABOUR AGAINST FARM SIZE

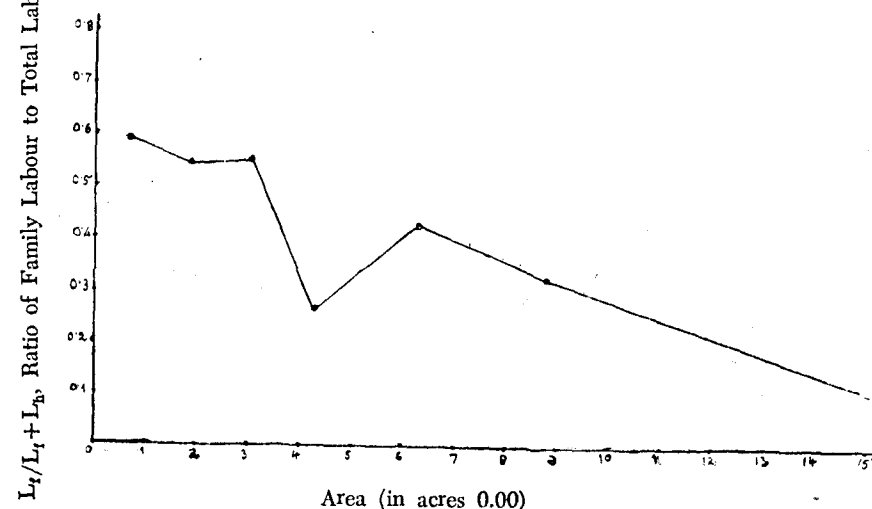
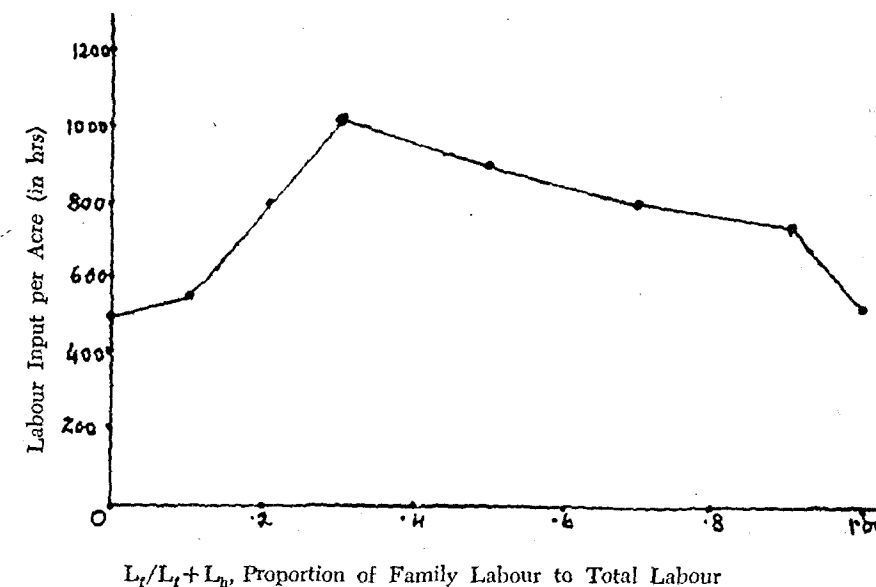


TABLE 2: DEPENDENCE ON COMPOSITION OF LABOUR

Proportion of Family Labour to Hired Labour $\frac{L_f}{L_f + L_h}$	Number of Farms n	Labour Input per Farm (hrs) L/n	Labour Input per Acre (hrs) L/A	Productivity of Labour (Rs) O/L	Output per Acre (Rs) O/A
0	9	1279.33	500.61	2.1445	1073.58
0-0.20	32	1945.06	548.44	1.6804	959.30
0.20-0.40	17	4104.50	1021.02	1.9130	1546.60
0.40-0.60	24	2873.58	907.33	1.3692	1242.37
0.60-0.80	22	2134.98	800.30	1.6254	1300.07
0.80-0.99	28	1577.73	743.96	1.2575	935.56
1.00	17	846.00	539.46	1.3911	711.52
All proportions	149	2134.41	713.69	1.6010	1140.29

DIAGRAM 3: GRAPH SHOWING LABOUR INPUT PER ACRE AGAINST PROPORTION OF FAMILY LABOUR TO TOTAL LABOUR



in quantity and, therefore, has less productivity. These two hypotheses getting rejected, the hypotheses H_1 , H_4 and H_5 get de-linked.

For the confirmation of the hypotheses H_1 , H_4 and H_5 reference may be made to the Diagrams 2, 1 and 4. Diagram 2 shows that the proportion of family labour to total labour declines from about 60 per cent to about 10 per cent as one moves from the smallest size group (0 to 1.25 acres) to the biggest (about 10 acres). (For further details about the nature of association between these two variables see Appendix, note 1.) Diagram 1 shows that labour input per acre falls from about 900 manhours to less than 600 manhours when one makes the same movement over size groups. Diagram 4 shows that output per acre goes on increasing as labour input per acre increases until it reaches a ceiling of about Rs.2,500, corresponding to about 1,400 manhours of labour per acre and that this does not increase any more with further additions to labour input. Of course, the graphs show only group averages and our raw data reveal a very high margin of error associated with each such average. Nevertheless, the patterns revealed can be taken to be statistically significant without carrying out any tests. Rejection of hypotheses H_3 and H_8 is indicated by the graphs in Diagrams 3, 5 and 6. They belie any systematic, meaningful pattern of dependence on the composition of labour by any one of the variables concerned. Thus the total labour input into cultivation is on the average less for purely family-based farms than for purely hired-labour based ones (Diagram 6). This

may be partly due to purely family-based farms being smaller farms than purely hired-labour based farms. The pattern, however, does not change very much even when one takes account of this factor by considering labour input per acre rather than total labour input (Diagram 3). Labour input per acre is higher for the purely family-labour based farms, but only very slightly. Diagram 5 shows that per acre output of purely family labour based farms is actually lower than that for the purely hired-labour based farms.

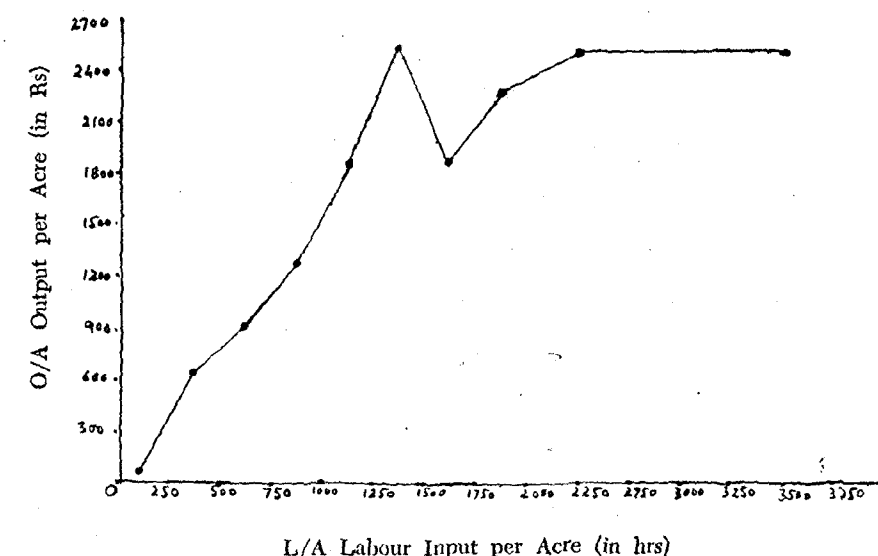
Neither in the case of total labour input into cultivation nor in the case of output per acre is there any need to subject the data to any kind of test: for, surely, if observed average

values for the purely family-based group of farms be less than those observed for the purely hired-labour based ones, there cannot be any question of any tests showing that the former is significantly higher than the latter! Of course, our data provide information not only about the two pure classes—the entirely family-labour based ones and the entirely hired labour based ones—but also about all the mixed classes with varying proportions of family labour and hired labour. The graphs, however, are not such as to suggest any meaningful pattern of dependence. Incidentally, all these three graphs show somewhat similar shapes each, with a peak at the point corresponding to a mixture of 30 per cent of family labour and 70 per cent of hired labour. It is, of course, quite plausible that the more dynamic farms are neither purely family-labour based nor purely hired-labour based; but this hypothesis cannot be confirmed by these odd-shaped graphs. It is to be emphasised that the graphs have for ordinates weighted averages and for abscissae group mid-points; and the averages do not give any idea whatsoever of the tremendously large within-group variations that the individual farmwise data reveal.

To clinch the issue, we have carried out some tests of significance for the case of total labour input per acre—the only case where the dependent variable is at all higher for purely family-labour based farms than for purely hired-labour based farms. The test results (for details see Appendix note 2) show that:

- the labour input per acre by purely family-labour based farms is not higher than that by purely hired-labour based ones;
- in general, there is no statistically

DIAGRAM 4: GRAPH SHOWING OUTPUT PER ACRE AGAINST LABOUR INPUT PER ACRE



significant variation in labour input per acre as between the different groups corresponding to the different values of the ratio of family labour to total labour, $\frac{L_f}{L_f + L_h}$. (In other words, the correlation ratio of labour input per acre, L/A , on the composition of labour, $\frac{L_f}{L_f + L_h}$, is not significantly different from 0).

If there is no systematic dependence of labour input per acre on the composition of labour or of output per acre on the same, then the implication is that the average productivity of labour is the same whatever be the composition of labour. Diagram 7 is in apparent conflict with this conclusion; for, the group weighted averages of the productivity of labour do show a mild tendency to decrease. But on testing, we find that the group means are not significantly different from each other (see Appendix note 3).

The marginalist explanation of the declining tendency of yield per acre over increasing size is also in contradiction with labour productivity trend revealed in Diagram 8—if there is any trend at all. The 'if' is a big 'if'—for all these graphs of group averages we are dealing with are subject to very high degrees of within group variations. However, we can proceed without testing for significance as follows. If there is any systematic dependence patterns in Diagram 8 at all, it is of labour productivity *increasing* as quantity of labour input increases. So it can be said that the average productivity of labour *does not* decrease as quantity of labour input increases. Now, that surely contradicts the idea that farms that put in comparatively more labour (small farms, farms based on more family labour than hired labour) do so at the cost of having a lower average productivity of labour.

As a matter of fact, the marginalist position, to be verified with cross-section data, requires hypotheses H_2 to hold: but there is enough evidence that this does not; that material input per acre, irrigation facilities per acre, etc., decline as farm size increases. Thus, as farm size increases, labour gets employed with increasing quantities of land and capital, but capital increases at a slower rate than does land. This results in increase in the average productivity of labour, but at a very low rate—a much lower rate than the rate of decrease of labour input per acre. Diagram 9 shows the way average labour productivity increases with size. Once again the increase may not be statisti-

DIAGRAM 5: GRAPH SHOWING OUTPUT PER ACRE AGAINST PROPORTION OF FAMILY LABOUR TO TOTAL LABOUR

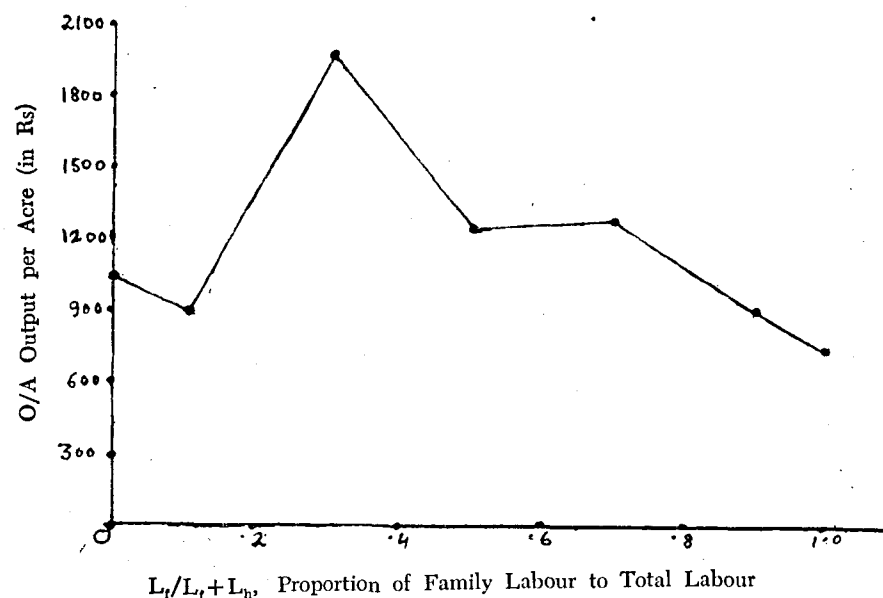
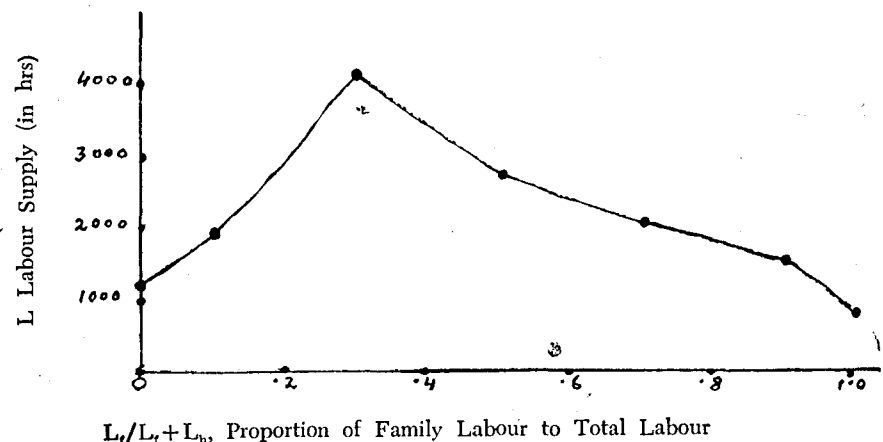


DIAGRAM 6: GRAPH SHOWING LABOUR INPUT PER FARM AGAINST PROPORTION OF FAMILY LABOUR TO TOTAL LABOUR



cally significant, but if there is any trend at all that is one of increase. If this increase in labour productivity gets more than counterbalanced by the increase in labour input per acre that goes with it, the net result would of course be diminishing yield per acre—as has allegedly been observed to hold quite generally. The generality of this variation pattern of land productivity has been challenged by us earlier [1]. In the present paper, we have tried to show that the marginalist model that has been used to explain the phenomenon in terms of the composition of labour consisting of family labour and hired labour does not seem to work—at least with our data.

Appendix Notes

1 The association between farm size and the composition of labour in terms

of family labour and hired labour is not very strong. Some idea of the variability in the composition of labour *unexplained* by the pattern of dependence represented by the curve of Diagram 2 can be formed from the following Table.

Size Group (acres)	Proportion of Proportion of	
	Purely Family-Labour Based Farms (per cent)	Purely Hired Labour Based Farms (per cent)
0 - 2.50	14	8
2.50- 5.00	12	0
5.00-10.00	3.5	7
10.00 and above	0	0

Thus the bigger farms have a smaller proportion of purely family-labour based farms than the smaller ones; but the distribution of purely hired-labour based farms among the different size groups do not follow any systematic pattern.

DIAGRAM 7: GRAPH SHOWING PRODUCTIVITY OF LABOUR AGAINST PROPORTION OF FAMILY LABOUR TO TOTAL LABOUR

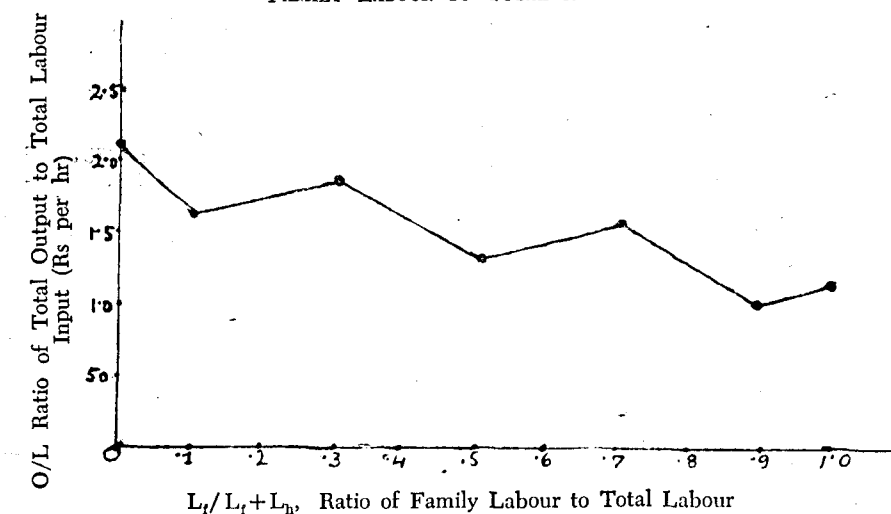


DIAGRAM 8: GRAPH SHOWING PRODUCTIVITY OF LABOUR AGAINST TOTAL INPUT OF LABOUR

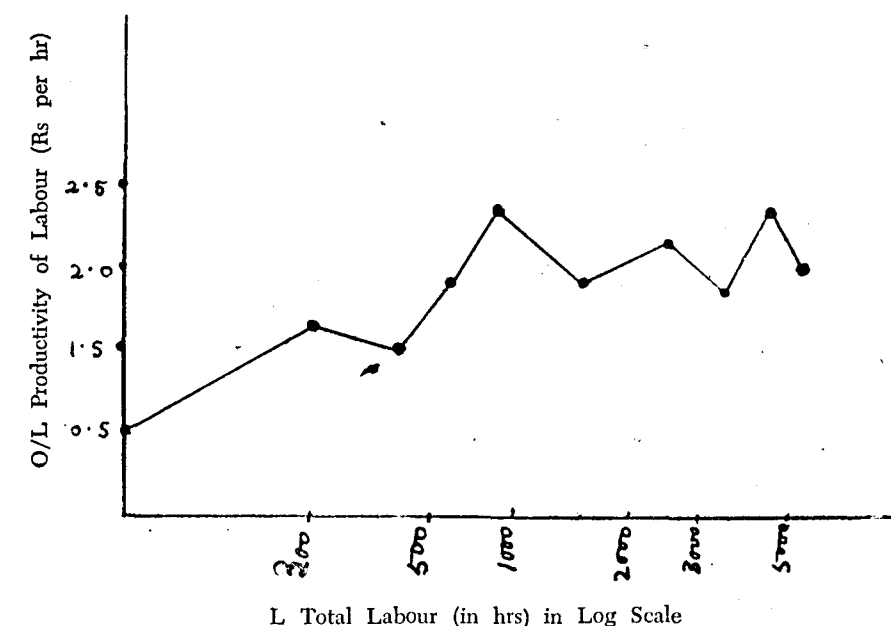


DIAGRAM 9: GRAPH SHOWING PRODUCTIVITY OF LABOUR AGAINST FARM SIZE

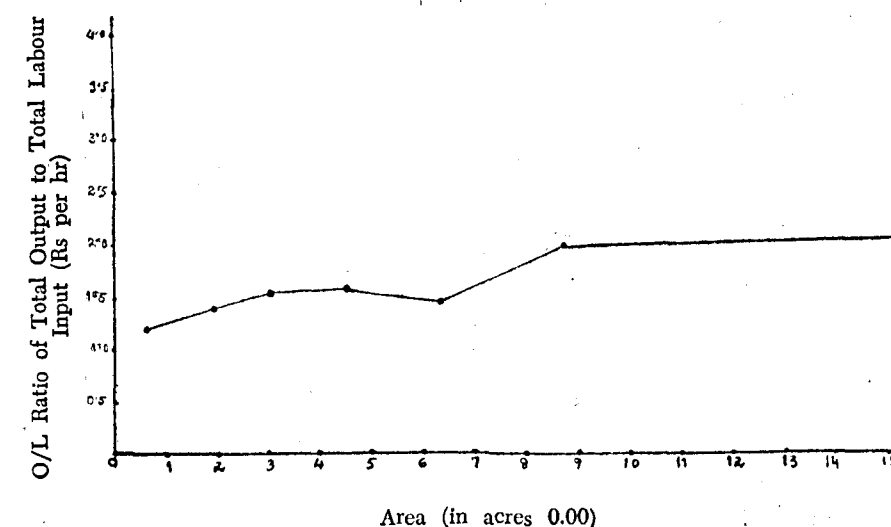


TABLE 3: DEPENDENCE OF OUTPUT PER ACRE ON LABOUR INPUT PER ACRE

Labour Input per Acre (hrs)	Number of Farms	Output per Acre (Rs)	A/O
0-250	5	85.15	
250-500	47	641.17	
500-750	38	907.09	
750-1000	15	1267.75	
1000-1250	12	1841.18	
1250-1500	10	2635.60	
1500-1750	9	1864.64	
1750-2000	4	2274.54	
2000-2500	5	2532.64	
2500 and above	4	2527.16	
	149	1140.29	

2 Two tests can be conducted with respect to these data:

(a) A t-test (Fisher's two sample t-test) to test the significance of the difference between the arithmetic means of the variables $\frac{L}{A}$ for the two groups defined by $\frac{L_f}{L_f + L_h} = 0$ and $\frac{L_f}{L_f + L_h} = 1$. The t-value with 23 d f was found to be 0.38 and, therefore, insignificant.

(b) A simple analysis of variance for one-way classification of data to test if the group averages of the labour input per acre values for the farms grouped according to the proportion of family labour to total labour input varied as between the groups. The F value was $F_{6, 142} = 1.21$

which is not significant at the 5 per cent point.

3 Just as in the case explained in (2) above, two tests were carried out.

(a) A Fisher's t-test for testing the

TABLE 4: DEPENDENCE OF PRODUCTIVITY OF LABOUR ON TOTAL LABOUR INPUT

Total Labour Input (hrs) L	Number of Farms n	Productivity of Labour O/L
0-200	8	1.0721
200-400	13	0.9720
400-600	14	1.3210
600-800	13	1.4363
800-1000	13	1.5626
1000-2000	33	1.3352
2000-3000	25	1.6728
3000-4000	11	1.2914
4000-5000	7	1.6873
5000-6000	4	1.4979
6000 and above	8	1.9235
All groups	149	1.6010

difference between the arithmetic means of the values of the variable $\frac{O}{L}$, value of output per unit of labour, for the two groups defined by $\frac{L_t}{L_t + L_n} = 0$ and $\frac{L_t}{L_t + L_n} = 1$. The t value with 23 degrees of freedom is 0.53 and therefore not significant.

(b) An analysis of variance for one-

way classification to test if the arithmetic means of the values of $\frac{O}{L}$ for individual farms, grouped by the variable value of $\frac{L_t}{L_t + L_n}$, differ significantly. The value of F with degrees of freedom 6 and 142 was found to be 1.59 which is not significant at the 95 per cent point.

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- [1] Rudra, Ashok: 'More on Returns to Scale in Indian Agriculture', *Economic and Political Weekly*, Review of Agriculture, Volume III, Number 43, October 26, 1968.
- [2] Sen, Amartya Kumar: 'Size of Holdings and Productivity', *Economic Weekly*, Annual Number, February 1964.

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From Reformist Princes to 'Co-operative Kings'

III—Trends Toward Routinisation in Kolhapur Politics

Donald B Rosenthal

This paper examines how the character of political relationships in Kolhapur state/district has changed during the past century and what the present pattern of political leadership in that district looks like. While the part that social structure has played in these matters is notable, the roles played by particular men and, equally important, the contingent nature of those roles, needed to be emphasised.

For, contrary to that school of political analysis which attributes much stability to the past, the political history of Kolhapur embodies the search for additional bases of power, conditioned, no doubt, by the social structures and technological possibilities of an era but significantly independent of them. The result is that those men of ambition who are able and willing to enter into political life can influence the actions of others and direct the course of events of their times, if only on the small stage provided by local political activity.

What should be stressed here is that by 1962 to speak of the bases of political power in Kolhapur district, meant not only to refer to those with formal power in state or local legislative bodies, or to men with a voice in the district party, but also to those most active in the new economic institutions of the district—institutions which drew upon governmental financing organised under the guise of co-operative economic activity. Indeed, so important have the major co-operative institutions become as political arenas in their own right—for they have control of important financial resources which can be manipulated to the advantage of individuals or political groups—that contests for control of bodies like the district board, do not seem to raise as basic or potential a threat to the positions of major political leaders as do challenges to their control of taluka and district co-operative institutions.

Part III looks at trends towards bureaucratisation and institutionalisation of Kolhapur politics during the past few years. Part II dealt with the highly personalised and factional style of politics between 1947 and 1967. Part I examined the political process in Kolhapur state prior to its merger with independent India.

The 1967 Elections

INTO this cauldron of personal quarrels and fights for individual economic dominance a 'traditional' issue was injected in the mid-1960s. The government of India rekindled the wrath of the people of Kolhapur against itself and the Maharashtra government by authorising Shahji, who had faded from public sight since the merger of Kolhapur, to adopt an heir (his own grandson). This was contrary to the understanding that allegedly had been made with the widow of Rajaram at the time of Shahji's succession. Agitations were organised in 1965 when the matter came to public attention and Chavan made a critical mistake when he remarked from his position in New Delhi that the dispute over a "torn gadi" was irrelevant. In his view, princes were no longer important. With privy purses likely to be abolished in the future, he argued, the question of succession was of little moment.

The opposition, led by the PWP, skillfully seized upon Chavan's comments and organised a campaign that focused on the demand that "justice be done"

to Padmaraje, the daughter of Rajaram. The women of Kolhapur city, in particular, were drawn to the cause and the embers of Maratha populism seemingly dormant in Kolhapur were rekindled. Chavan's remarks were blown out of proportion by the opposition and held to constitute a slur on the history of Kolhapur state and particularly on the memory of Shahu Maharaj. Chavan's personal popularity—which had never been high because of the local feeling that Kolhapur had been inadequately recognised in state politics as compared to neighbouring districts like Sangli and, particularly, Chavan's own Satara⁵³—fell even further and along with it fell the fortunes of the Congress. The opposition skillfully capitalised on the issue by making Vijyamala (Rajaram's second wife) its candidate for parliament in 1967. The Congress countered by choosing as its candidate a previously non-political general whose family came from the district. (It was hoped that a martial figure of national stature would counteract the appeal of the opposition's major issue.) The contest was made into a prestige fight by the national Con-

gress' choice of a candidate, but the Congress was not able to overcome its defensive posture. (Exploitation of the Padmaraje issue by the PWP was ironical, at least at one level, because the PWP has always visualised itself as standing to the left of the Congress on issues of social justice and the economic organisation of Indian society. In practice, however, the PWP continues to express essentially regionalist and Maratha-oriented attitudes in Kolhapur.)

At the same time, though Kumbhar had lost control of the district Congress and was reduced by now to a non-entity in the local party, the MPCC was cautious about entirely ending its association with him (particularly in light of the popular agitations in Kolhapur).⁵⁴ As a sop to Kumbhar, therefore, MLA tickets were extended to him and to one of his supporters (for a seat reserved for the Scheduled Castes) and one of Kumbhar's top men was given the city ticket for parliament. Otherwise, the remaining seats went to persons favoured by the anti-Kumbhar group in the Congress.

The Vijayamala factor, the equivocal position of the Kumbhar group, the other personal conflicts within the Congress, as well as rising prices and general dissatisfaction with the prevailing economic situation, all contributed to the Congress loss of the MP seat from the rural area (to Vijayamala) and four MLA seats to PWP candidates. In addition to Kolhapur city, two seats were lost in rural areas where Kumbhar's group had little following. One of these was the seat of Udaisingh Gaikwad (won in 1962). Gaikwad's defeat was blamed, in part, on the intervention of leaders of the Warna sugar factory who allegedly opposed Gaikwad's efforts to gain political influence in that factory.⁵⁵

In the zilla parishad elections which followed, few Kumbhar supporters received tickets and Kumbhar men did not even run on a common basis, but among the 54 men elected were 22 non-Congressmen—11 'independents' (not all of whom were Kumbhar men) and 11 from a PWP-dominated electoral front. When the election for president was held in August, Yadav was re-elected but only by a margin of 28 to 24 over a man closely associated with Kumbhar.⁵⁶ The men selected for Vice-President and committee Chairman were all from the anti-Kumbhar group and several were selected with the intention of further weakening Kumbhar in those talukas where he still had some following. None, however, were especially prominent figures at the district level in either the Congress or the co-operative movement.

Politics Since 1967

Even with Kumbhar's men inactive in the local party organisation, conflicts continued in the DCC. This was apparent in 1970 in a contest for a seat to the Vidhan Parishad from a special local bodies constituency consisting of members of the zilla parishad and of the municipalities in the district. The incumbent, whose origins were in Satara district, had established a good personal reputation in Kolhapur since his first election in 1964, but his candidacy blocked the ambitions of others, some of whom employed the claim that he was an "outsider" as a means of enhancing their own opportunities for office and as a way of stirring feeling against the manner in which non-Kolhapuris (and particularly persons from neighbouring Satara and Sangli districts) regularly intervened in the politics of the district from positions they held in the state government and in the higher echelons of the Maharashtra Congress.

This particular contest illustrates how much Kolhapur politics has been linked into the political quarrels of the larger political arenas of the state, since many of the manoeuvres that led to the incumbent's renomination and to his close victory involved contests for domination in state politics among prominent Maharashtra Congressmen in which Kolhapur was only one of several pieces in an elaborate political chess game.

Thus, in a bargain allegedly struck between Balasaheb Desai of Satara (Minister for Revenue in the Maharashtra government) and Vasantao Patil of Sangli (MPCC President), Desai supported the Kolhapur incumbent, whom Patil favoured, in return for an agreement by Patil that he would back Desai's man for a similar post in Poona district. However, men friendly to Desai at the local level in Kolhapur did not accept this arrangement easily. Some Congressmen apparently encouraged the Vice-President (a member of the tiny SSP unit) of the Kolhapur municipality to defect from his party and enter the contest with their support as well as the backing of the PWP.⁵⁷ In addition to these two candidates there were others: the SSP's own official candidate, a Kumbhar-inclined candidate (a former MLA) and a dissident PWP candidate.

Since no candidate received a majority of the first preference votes, the second preferences of persons choosing the lesser candidates were counted and the official Congress nominee scraped through by a margin of 118 to 109 for the Desai-inclined candidate. Thus, to the already intricate set of conflicting among local politicians in Kolhapur arising out of contests for control over areas of local power and access to higher levels of government and politics were added a series of cleavages due to expedient associations with ambitious politicians at the state level. At this time, while the Kumbhar group was outside the local Congress, its leader continued to have contacts with important figures in the Congress party and, despite numerous provocations and inducements, he refused to make a definite break with either the state or national Congress organisation.⁵⁸ For a time, the Balasaheb Desai group locally included the President of the zilla parishad, the leader of the relatively ineffectual Congress organisation in Kolhapur city and, somewhat less clearly, Udaisingh Gaikwad. But when Desai fell into disfavour with Y B Chavan in 1970, these and other local Congressmen quickly moved away from Desai⁵⁹ and toward figures like Vasantao Patil who seemed to be ascending powers in the state Congress organisation. In addition

to his position as MPCC President, Patil was a major figure in the co-operative institutions of Maharashtra as well as in his own district, Sangli.

Like a giant amoeba making only those minimum alterations necessary to survive, the state and national leadership of the Congress moved in the period after 1967 to neutralise the effect of the Padmaraje movement in Kolhapur. Its key action was to choose the son of the leader of the Padmaraje movement as one of the two candidates for parliamentary seats from Kolhapur in 1971. This nominee had spent a decade out of India (mainly in Germany) prior to returning to Kolhapur in 1964 and had no previous political credentials. In selecting this relatively young man (42), the MPCC (and Chavan at the Centre) passed over the incumbent MP, a Kumbhar group leader. Not only was the choice of candidate seen as a way of removing the Padmaraje issue and thereby defusing the strength of the PWP which had surfaced in 1967, but it was also likely to assure the strong Maharashtra group in parliament a potential supporter with few local political commitments or even much of a political base of his own.

If the choice in this case was a man with little political history, the nominee for the other seat, Dattajirao Kadam, was of a very different character. His emergence may have signalled the start of a major change in the style of Kolhapur politics. Operating essentially from the prosperous weaving-based municipality of Ichalkaranji in Hatkanangale taluka (where his co-operative institutions literally face those of Ratnappa Kumbhar), Kadam had become a major force in the city's co-operative movement in the previous decade. Where Kumbhar drew his strength from his rural activities—his sugar factory, his rural co-operative bodies and the rural governmental institutions particularly in Hatkanangale and Shirol talukas which his men ran—Kadam's influence was based on urban institutions that he and his associates had established in Ichalkaranji. They had initiated large-scale co-operative weaving and spinning mills as well as an urban co-operative bank during the preceding fifteen years. As a result, Kadam's group had come to play a major role in the economic life of a rapidly expanding city of well over 75,000 people.

Equally significant, however, was the political style of the municipal group with which Kadam was associated. It included a Brahman member of the Rajya Sabha, who was from Sangli district, but also had an economic interest

in the prosperity of Ichalkaranji, and B B Khanjire, the Jain MLA from the city who functioned as an important intermediary between the group and the state government. Furthermore, in a manner that is a model of systematic organisation, Kadam and his associates had put together an economic and political 'power structure' in Ichalkaranji that nicely duplicates power concentrations in some American communities. This power structure has been institutionalised, in fact, in a body which local people call "the civic board". The board allocates positions in urban co-operative institutions, in the local unit of the Congress party and in the municipality on a rotational basis which has tended to reduce conflict and moderate ambition.⁶⁰ The board remained relatively aloof from the internal quarrels of the district Congress until 1970. Clearly, they protected their own economic interests when such interests lay with the DCCB (District Central Co-operative Bank), but because of the financial and industrial nature of those interests, their activities were directed principally at exercising influence in state and national politics (concerning policies affecting matters like licensing procedures) rather than in district politics.

However, in the late 1960s, Kadam began to expand his personal activities into the rural sphere by helping to organise a sugar factory in Shirol taluka and by investing heavily in the development of lands that he himself had acquired. In the acquisition of rights to develop his new sugar factory, he received the help of the key leaders at the state and national levels who were against Kumbhar, who had been trying to organise a co-operative factory in the same area for a number of years—a factory which presumably would have got its membership from persons more sympathetic politically and communally to Kumbhar. Kadam's selection in 1971 as a parliamentary candidate by the MPCC, at a time when Indira Gandhi was publicly avowing commitment to a greater equalisation of wealth, actually served to recognise the growing strength of economic interests concentrated in a few hands in the region. At the same time, however, it was a direct slap at Kumbhar by the state Congress leadership, which passed over the incumbent MP in Kolhapur city—who was a Kumbhar man—in making its choice.⁶¹

It is not surprising that Kumbhar worked against these official Congress candidates. What may be surprising is that the MPCC was so slow to act against his behaviour. Leaders of the DCC brought complaints to the MPCC leadership, which took considerable time

to go through the formal motions of requesting an explanation from Kumbhar. Rather than dissimulating, Kumbhar clearly held that the quality of the candidates offered by the Congress was not worthy of his support. Final action was still pending against him at the time of MLA nomination in early 1972 and by that time events had again conspired to continue, and actually improve, Kumbhar's political standing in Kolhapur.

If Indira Gandhi had been too weak in 1971 to force her choices upon the MPCC, her national stature was so great by early 1972 that it was rather difficult for the MPCC leadership to resist her determined support for particular candidates. By 1972, a degree of division previously unknown in the MPCC had also surfaced, with Shankarrao Chavan of Marathwada putting forward a tentative bid to displace the long-established Vasantao Naik ministry. In Kolhapur, the state factions made themselves felt only indirectly, but they did provide an opening which permitted a number of decisions about tickets to be left to the parliamentary board of the AICC. In the case of Kumbhar and a second ticket from a constituency adjoining his, the MPCC left the seats open, pending a decision about Kumbhar's opposition to the MP candidates. With the help of some of Gandhi's closest associates and with the intervention of Mane, Kumbhar and a long-time colleague were given the tickets for these seats.⁶²

Once the tickets were allotted, a strange new harmony—possibly only of a temporary nature—entered the Congress. Though three Congress nominees were defeated by dissidents (including a man backed by Kaulaukar-Patil, who had been denied a ticket), a new spirit of compromise seemed to arise among leaders like Udaisingh Gaikwad, Kumbhar and Kadam. In that spirit and also possibly as an effort to wield greater power on his part, Vasantao Patil created an *ad hoc* Congress Committee in Kolhapur and appointed as President, Anantao Bhide, Chairman of the Decan Spinning and Weaving Mills in Ichalkaranji, a co-operative institution with which Kadam has been closely associated and toward which Patil has shown particular friendliness over the years. Bhide, it must be noted, is a Chitpavan Brahman.

In preparation for the zilla parishad elections, a district parliamentary board was created which gave substantial weightage to the Kumbhar forces. If anything, some of the anti-Kumbhar activists have expressed dismay at the extent of favour Bhide has shown to Kumbhar and his followers. Thus, Kumbhar

received a substantial bloc of nominations for the zilla parishad and when the time came to select office bearers, his associate was made Vice-President of the body. One committee Chairmanship (out of three) was also given to a man inclined to the Kumbhar group.

In organisational elections late in 1972, the spirit of compromise was carried forward by setting a rule that no one who was an office-bearer in other major institutions should hold posts in the DCC. Some controversy arose when Bhide, himself, continued as President and also as representative to the MPCC and AICC. By March, 1973, resentment against Bhide for evading this informal understanding was mounting and some possibility of a voluntary withdrawal by Bhide existed.

However, it was significant that faced with other controversies in the power structure of Kolhapur, there has recently been a further reaching out for compromise. Thus, in the elections for the DCCB held in March 1973, a compromise candidate, Dadasaheb Nimbalkar—a man long associated with the Padmaraje movement but sympathetic to the Congress since the election of his son as MP in 1971—was chosen without opposition. This was in contrast to the situation in the years from 1971 to 1973. In 1971, for example, the incumbent, Udaisingh Gaikwad, was not only backed by local actors but by Vasantao Patil. The President of the Satara DCCB, who is a leading Chavan lieutenant in that district, was on hand to rally support on Gaikwad's behalf. Yet, from within the ranks of the majority group in the Congress came a challenge to Gaikwad that was supported by the Kumbhar men and the single Communist member of the Bank. As a result, Gaikwad was defeated by a vote of 10 to 9. In that election, the Vice-President of the district Congress, who had ambitions to become President of the DCC, voted against Gaikwad.⁶³

Decisions about office-bearers for the zilla parishad, as we have already noted, involved some compromise by the dominant groups in the DCC with the Kumbhar group. At the time those decisions were taken, Bhide promised members that a review would be made of their decisions after January. For various reasons, including possible opening of old wounds, the matter was not raised again until March and even as this is written no definite action has been taken. Involved were essentially two sets of compromises. At one level—that of the selection of candidates for president and vice-president—was involved a compromise between the Kumbhar and anti-Kumbhar groups with the former receiving the

Vice-Presidential position and the latter the position of President. The post of President went to a man who had served previously as Vice-President under Yadav. While the two choices resolved one problem, they created others because both men were from the same taluka, Hatkanangale. In a sense, too, they represented on the anti-Kumbhar side more of a success for the Kadam group within the section of non-Kumbhar Congressmen than for other groups. Gaikwad was conciliated by making a man from his taluka one of the three committee Chairmen. However, other Congressmen remained unhappy that their talukas were unrepresented in major posts in the zilla parishad and they continue to press for reopening the question. They demand recognition particularly for talukas where no one has held a major post in the previous zilla parishads.

This question of representation at the state level has been one of the sources of recent unity in the Kolhapur Congress organisation. Almost every Congressman from Kolhapur interviewed in 1973 commented bitterly upon the fact that the district has never been represented either in a major governmental or party post since the integration of the Kolhapur state 25 years ago. Since the elections of 1972, delegations of local leaders have met with the Chief Minister to seek some assurances on this point and vague promises of opportunities at the time of a future expansion of the ministry have been made, but this question of representation (and ultimately of fair treatment of the district in the distribution of resources by the state) rankles local leaders. It has provided an incentive, at least temporarily, toward local unity—unity which might well disappear, as one state leader pointed out, if a post were actually given to a Kolhapur man. For then a new imbalance would arise between the man given the position and those not benefited.

For the moment, however, there seems to be some attempt on the part of local Congress leaders in Kolhapur to extend to the district level some of the behaviour patterns associated with the working of the civic board in Ichalkaranji, where a kind of bureaucratic system has been introduced into the allocation of offices and provision has been made for their rotation among leading figures in the city. It remains to be seen whether this movement from an uncontrolled individualistic self-aggrandisement in local politics to a new phase of more 'businesslike' or bureaucratised power distributions in governmental, party and co-operative posts will actually be completed.

Kolhapur in Perspective

To review the outlines of the previous story: Prior to independence, the Maratha ruling house of Kolhapur encouraged social reforms and educational opportunities for non-Brahmans in the state but resisted pressures for greater political participation by the 'new class' that it had created. This gave rise in the 1930s to a minor movement for greater political participation, the Praja Parishad. But this was suppressed through firm action taken against its leaders. Conflicts between the Maratha nobility and the popular movement for responsible government were complicated in the period after 1946 by the ascension to the *gadi* of a ruler unpopular with the Maratha elite and by the emergence within the Parishad of divisions between one group that might be called the 'populist' Marathas—those who appealed to moderately urbanised group-conscious Marathas—and a second group of Congress-oriented non-Marathas (principally, Lingayats and Jains). Much of the conflict within the Parishad was conditioned, however, by the character of its leaders and the nature of their personal ambitions.

The result of these conflicts was the existence for a time after 1947 of three major groupings in Kolhapur politics: 1) a Congress organisation led by non-Marathas with strong orientations to ward the national Congress leadership of persons like Vallabhbhai Patel; 2) a 'populist' Maratha element with more localised orientations which emerged out of the Parishad and eventually became the nucleus of the Peasants and Workers Party in the district; and 3) a small group of high-status Marathas who had previously been close to the princely regime but were now alienated from the new prince and were prepared to seek a place for themselves in the opportunity structures being created by the national and state leaderships of independent India.

Among the new opportunities were positions in the state assembly, in elected local bodies and in the Congress party itself. With a segment of the 'populist' Marathas based (at least temporarily) in a political party of their own, the Maratha element in the leadership of the Congress organisation in the Maharashtra region of Bombay state turned for help to members of the Maratha elite in Kolhapur. In the process of attempting to mobilise the rural Marathas behind the Congress, the state party leadership downgraded the non-Marathas who were holding positions of influence in the party and in the governmental institutions. The large-scale in-

troduction of co-operative institutions functioning under government auspices in the mid-1950s, at the same time, provided an alternative set of arenas in which conflicts among the various political groups might be worked out. Thus, on the one hand, the introduction of co-operative bodies promoted the extension of inter-individual conflicts into new territories, but at the same time, it had the effect of cushioning the process of decline in governmental and party affairs of the non-Marathas. Indeed, for those like Ratnappa Kumbhar, who were perceptive enough to see the importance of these new arenas, early entry provided an opportunity for continued political participation from a secure personal base.

With the extension of invitations to all Marathas after the creation of Maharashtra in 1960, the 'populist' Marathas increasingly entered the Congress and came into conflict with the older elite Maratha group. These locally-grown conflicts were exacerbated by conflicts among state political actors for influence in Kolhapur politics. Balasaheb Desai, a high-status Maratha educated in Kolhapur district who employed a highly 'populist' style in state politics, was especially influential in worsening relations between local rivals for office, and particularly between the Marathas and non-Marathas in the Congress, but other state leaders pursued their own ambitions through occasional interventions in Kolhapur politics as well, with the result that the nature of the political conflicts became increasingly individualised and earlier group distinctions less significant.

In this period of individualised politics, each political actor sought to become the premier political figure in his taluka, whether this meant undercutting some of his colleagues in the Congress or not. A few like Chavan-Patil, Kumbhar, and Udaisingh Gaikwad managed to become the apex figures in a pyramid of political and economic power within their home talukas. Major arenas for their control included not only governmental bodies but such co-operative institutions as local credit societies and sugar and textile factories. In the course of accumulating the power necessary to be a source of influence in the district, such men have had to dominate not only the choice of persons to fill responsible positions in the state assembly (often a post the leader reserved for himself), in the zilla parishad and in taluka governmental bodies from their home areas, but also, in an array of co-operative institutions and ancillary local organisations like educational societies.

In this situation, a man might be able to dominate one taluka by holding the

major power positions himself or giving some of those positions to a few highly trusted lieutenants. However, if he has personal aspirations in district or state politics this could well raise a set of dangers to himself. First, there is the 'span-of-control' issue. How far can a single man really dominate a taluka without either antagonising persons in the taluka or closing himself off from vital information about pretenders to his position? If he has aspirations for higher office or for a major role in district politics, he may either have to hive off some of his activities to lieutenants who may lie in wait for errors on his part or he may have to spread himself too thin in overseeing every relevant activity in the district. With the emergence of a new set of politically relevant institutions in the 1960s—new co-operative institutions, revitalised local governmental bodies, an array of educational societies conducting schools for a rapidly expanding secondary school population, in addition to existing party and governmental opportunities—the possibilities for one-man domination in a single taluka become more remote and the voices for a sharing of the plums of power more persistent.

If the organisation of power on a personal basis was difficult in a single taluka, the possibilities for ascendancy in the district as a whole decreased geometrically unless one could somehow rise above the immediate battles—something impossible in Kolhapur though not unheard of elsewhere.⁶⁴ Normally as a man pursues his aspirations upwards, those who play a major role in other talukas may well reach out to create or support local rivals in order to undercut any reach for power which might occur at the district level.

What needs to be seen most clearly about the nature of contemporary politics when examining a district like Kolhapur, therefore, is that there have occurred significant changes over time in political relations—changes which are as marked at the elite level as at the level of relations between elites and the wider public. Given a certain perspective, one might well argue that the number of men who play a leading part in Kolhapur and reap the major rewards of the political and economic systems are only marginally greater than in the days of Shahu. The number of persons oriented to active and autonomous participation in political life at any level may still be very small. Yet the terms on which access to the political process are based are quite different from Shahu's day.

More important than the breadth of formal participation may be the charac-

ter of the kinds of politics and policy concerns generated by contending political elites. By almost any standards, the politics of Kolhapur appears to be endlessly manipulative and exceedingly narrow in its focus on personal advancement. However, there are a number of policy 'spillovers' which benefit those in the public able to take advantage of them. Leaders of co-operative societies do distribute economic resources while collecting political benefits in return; sugar factories have jobs and dividends (underwritten by government subsidies) which they can distribute to cane growers in exchange for political support; educational society managers and local government office-holders may also win political support for their distribution of social benefits or jobs. Despite the fact that very few of the resources we have just mentioned reach the vast majority of the landless and the impoverished in Maharashtra society, there has been very little evidence of a potential for organised expression of discontent on the part of the public. If anything, the government of Maharashtra has been particularly skilful in heading off radical challenges to the dominant landed interests of the state by taking those minor steps necessary to lend the operations of the political system an aura of concern for social justice.

Still, as we have noted, the past hundred years in Kolhapur have witnessed a transition in elites from a situation in which a princely family benignly ruled the people of the state to a situation in which contending elites (visualised either as unsteady political groupings or as individual claimants for political authority) have vied for control over a growing number of governmental, party and co-operative institutions. In these recent contests, participants have had occasion to mobilise electoral support ranging from the general voting public of parliamentary and state elections to the narrower electoral bases of sugar factory and other co-operative society elections. In exchange for that support, political actors have also had to feed out benefits to their followers, though most such benefits have been of a severely restricted character.

Occasionally, an issue like the *gadi* dispute may stir 'traditional' sentiments, though, curiously enough, it is principally the reformist 'tradition' of Shahu that inspired particular respect for the Kolhapur *gadi*. Whatever the nature of the sentiments associated with such an issue, the most significant aspect of its political use was the way in which it was incorporated into the otherwise 'contentless' politics of Kolhapur by opposition parties, parties (including the

PWP and SSP) which otherwise pride themselves on a leftist orientation. Because they lack the leverage on the resources of the political system which would allow them to emulate the Congress, such parties are forced to seize upon occasional issues like the *gadi* or Samyukta Maharashtra to provide largely intangible (symbolic) collective benefits to their supporters.

For the most part, at least until recently, politics in Kolhapur has been a conflict of individual wills to gain control of existing opportunity structures. That style of politics has operated in a context of *laissez-faire* assumptions about the propriety of personal ambition and the acceptability of fluid personal alliances for the achievement of immediate economic and political benefits. It may be too early to predict, but recent events seem to suggest that this condition may be changing both in Kolhapur and elsewhere in Maharashtra. On the one hand, some members of the older generation of 'co-operative kings' which emerged with the expansion of the co-operative sector have become so openly vulgar in the display of their new affluence that they have brought public condemnation upon themselves and elicited both fear and contempt from the more sober elements within the leadership of the state Congress organisation. Equally important, the political rivalries of the co-operative kings and the challenges of those who aspired to emulate them may have proven destabilising economically and politically to the point where forces may be at work to assert order upon the situation. What we may be seeing both through the enunciation of recent state policy and through the working of powerful local economic interests in a district like Kolhapur is an effort to 'depersonalise' or, more familiarly, to 'bureaucratise' the co-operative movement and political life more generally by redefining the terms on which participants in the political order can benefit directly and personally from their participation in co-operatives. In Kolhapur, the recent willingness and ability to discard previously dominant leaders like V K Chavan-Patil when some of the economic activities of these men became too unsavoury may point in the direction indicated. In contrast, Kumbhar has presided over his personalised co-operative empire in a style that has kept both himself and his organisations free of public condemnation. The model for the future, however, may be not that of the individual 'co-operative king' but of the Ichalkaranji civic board with its collective leadership and corporate structure in which men like Kadam, Bhide and Khanjire participate

with others in the setting of limits to personal ambition through the use of schemes of rotation in office and rewards based on bureaucratic skills. For, systems of politics based purely on personal ambition are essentially unstable in character and, as history has shown, tend in many cases to be replaced by regimes which either pursue militant ideological ends or develop a bureaucratic orderliness which channels ambition through formally constituted institutional structures in a manner which reduces the uncertainties attendant on a politics of pure personal conflict.

(Concluded)

Notes

- 53 Indeed, some Kolhapur respondents rather heatedly attacked what they called "Sataraj"—rule of Maharashtra politics in imperial style from Satara. In addition to Chavan at the Centre, Satara district had strong representation in the state government in 1970 with three men holding ministerial or sub-Cabinet portfolios and another holding a ministry in the Central government. The phrase "Sataraj", with its feudal overtones, also served to arouse memories, because conflicts between Satara and Kolhapur went back in Maharashtra history to the period of the Maratha Empire.
- 54 Before the 1969 split in the Congress, Kumbhar was helped by his ties with Morarji Desai and Congress President Nijalingappa at the national level.
- 55 This opposition was allegedly encouraged by Kumbhar. It is charged that Gaikwad as a leading member of the DCCB tried to exert pressure on the factory to gain personal influence in its operations and that this was resented by the Chairman of the factory.
- 57 Few Kumbhar men even tried to get Congress tickets. Indeed, the man defeated by Yadav for President simply wrote directly to the MPCC and was rather surprised when the ticket was given to him, even though he was a long-time party worker and had held important positions in the district.
- 57 In this effort they allegedly received the help of both the 'Desai group' and of an MLA who was personally friendly with a state-level figure from Sangli district who might have had an interest in seeing the MPCC President suffer a setback.
- 58 Though Kumbhar ceased to be a member of the Kolhapur DCC executive as early as 1964, he continued to be a 'special invitee' to meetings of the MPCC.

- 59 Desai was forced to resign from his ministry in 1970 because of his activities against the Chief Minister of Maharashtra, Vasantao Naik, and because of his part in levelling accusations against others. Members of his group in Kolhapur organised meetings to hail Desai on his next visit to the city. When it became evident, however, that Desai was clearly out of favour and not simply bargaining with Y B Chavan and Naik for a return to the ministry, the group dropped his 'cause' rather peremptorily.
- 60 That moderating effect may be a function of the thriving economic situation of the city, for it allows many of the leaders to benefit from the economic expansion which the city is experiencing. It is not clear that such a political strategy would be as successful in a less expansionary situation.
- 61 The incumbent Congress MP, Shankarrao Mane, voted for Giri in the Presidential election which split the Congress in 1969. For this breach of discipline, the MPCC (which supported Reddy), denied him the nomination. Mrs Gandhi's position was too uncertain at the time to allow her to intervene successfully on Mane's behalf, but she subsequently rewarded him by bringing him back to New Delhi as Commissioner for Scheduled Castes and Scheduled Tribes.
- 62 In the process of accommodating Kumbhar, however, the incumbent President of the zilla parishad, Dinkarrao Yadav, was denied the ticket he sought from Kumbhar's taluka. V K Chavan-Patil was dropped as

the MLA from Chandgad. In large measure this action was taken against him because of pending charges about his mismanagement of several co-operative societies and a bitter dispute over the organisation of the sugar factory proposed for his constituency. Chavan-Patil, Kaulaukar-Patil and others encouraged a rebel Congress formation during the MLA and zilla parishad elections, but they met with only minor successes.

- 63 Gaikwad remained President of the DCC until the assembly elections in 1972. In keeping with national rules, he resigned from the post when he was given a ticket. The Vice-President then became acting President during the election campaign. In part, the decision to create an *ad hoc* Congress Committee after the elections arose from Vasantao Patil's unhappiness with the Vice-President's behaviour in the DCCB elections.
- 64 Where a single person is said to 'dominate' the politics of a district, as in Poona district, it is because so much actual authority is subdivided among supporters that the chief leader assumes the role of conciliator among those subordinates. Thus, the style of leadership that is adopted has much to do with the span of control that a leader can maintain. A conciliatory style with declaratory interventions resorted to only as a last resort, which seems a common leadership approach, is also one adopted in Maharashtra politics by Y B Chavan during the dozen years that he has been the pre-eminent figure in the state.

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MAHARASHTRA STEELS, a new company, is establishing a mini-steel plant in a notified 'backward' area of Bulandshahr in UP, some 15 miles from Delhi. The annual installed capacity of the steel ingot casting plant on a 10-tonne arc melting furnace will be 18,000 tonnes. Manufacture is planned presently of mild steel ingots in billet size by conventional bottom-pouring method. The plant and utilities are planned to permit diversification and expansion in the future, without stoppage of production. Total cost of the project, estimated at Rs 120 lakhs, is proposed to be met by share capital (Rs 48 lakhs) and term loan from IFCI and UPFC (Rs 72 lakhs). Installation is planned to be completed

in September next, and the project would be commissioned in the following month. The company is offering to the public for subscription at par 2.30 lakh equity shares of Rs 10 each and 8,000 cumulative redeemable preference shares of Rs 100 each carrying right to fixed dividend at 9.5 per cent per annum. The subscription list will open on May 30 and closed on June 9 or earlier, but not earlier than June 2. V C Patel, ex-Custodian of Central Bank of India, who is the chairman, expects the company to pay a maiden dividend of 10 per cent out of the earnings of the first year. Mukul Jain, a young entrepreneur, is the managing director.

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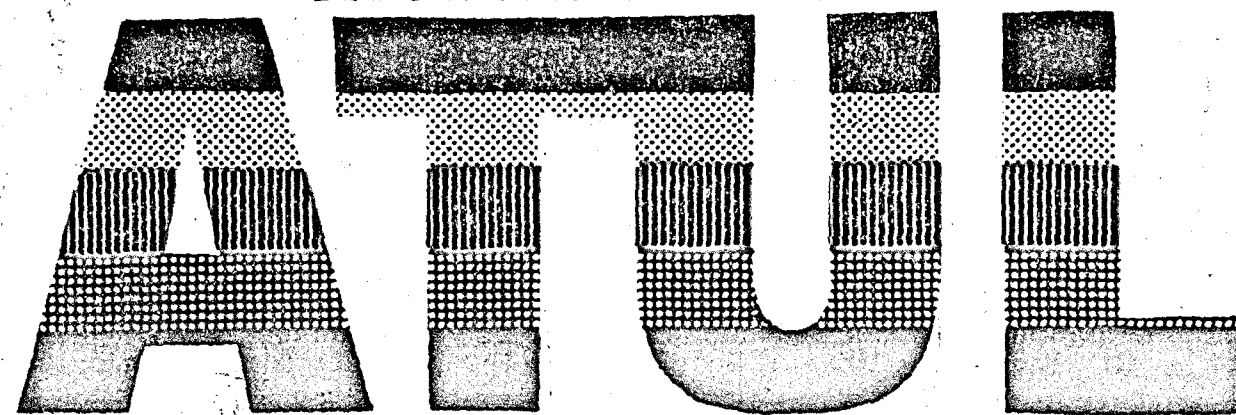
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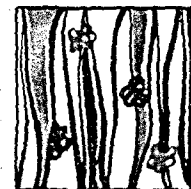
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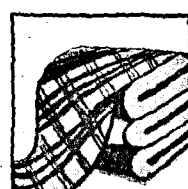
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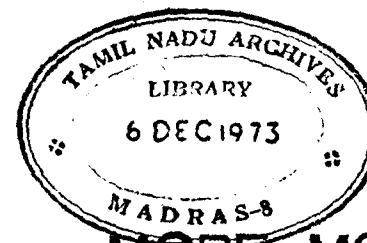
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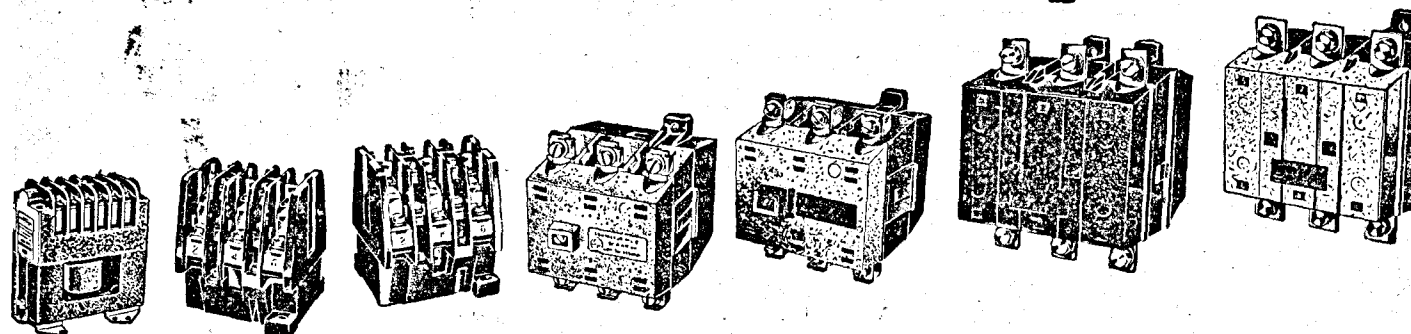
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ECONOMIC AND POLITICAL WEEKLY

Skylark 284 Frere Road Bombay 400 001

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Grams Econweekly

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Panic in Food

SINCE the availability and distribution of foodgrains could, in the current year, make or break the economy and presumably the polity too, there need be no awkwardness felt about returning time and time again to a discussion of the underlying issues. For, quite extraordinary things have continued to happen. The Minister for Agriculture, it is tacitly assumed by all, will not function. The effective leadership in matters concerning his ministry was initially assigned to the Minister for Planning. Now, the Minister for Heavy Industry has taken charge. At the same time, Krishi Bhavan has begun to play footsie with the estimates of both the output and the procurement of wheat. The emergency rabi programme, on which Rs 150 crores were dissipated, and which at one point of time was to yield as much as 15 million tonnes of additional wheat, was credited till about a fortnight ago with having been instrumental in lifting the output of grain by at least a modest 3.5 million tonnes in the current agricultural year. Since then, a further evaporation in output has taken place. Production of wheat in the country in 1972-73 — according to the latest pronouncement from the Minister of Heavy Industry—Chairman of the Task Force for Agriculture — will be just about what it was last year, viz, around 26 million tonnes. It is thus official that the sum of Rs 150 crores on the emergency rabi programme has totally gone down the drain. The production of wheat remains invariant, irrespective of the outlay of resources; and you run the risk of being considered unpatriotic if you look too closely into the end-use of the funds appropriated from the Central exchequer for the 'crash programme' of the rabi season.

Be that as it may, this scaling down of the estimate of wheat output can be causally linked to the government's own abysmal failure in procurement operations. The flamboyance with which, during the early weeks of the season, communiqués were being issued daily regarding the progress in procurement, has now been replaced with an uneasy silence. At the current level of performance, actual procurement of wheat is unlikely even to equal the quantity procured last year, viz, 5.6 million tonnes. Thus all that the government would have to show against the much-vaunted take-over of wholesale trade of wheat and the emergency production programme in the rabi season, is a decline in both the output as well as the availability of grain through the public distribution system.

But exercises in make-believe continue, however. The current toil is over determining the size of the kharif emergency production programme and the nature and magnitude of the bounties to be offered to the rich farmers in order that they might condescend to produce more. In a sharp reversal of the practice since 1969, fertilisers and other essential inputs are to be supplied at subsidised rates to those farmers who would agree to hand over an agreed proportion of the harvest to government agencies. It needs to be remembered that a limited experiment on these lines was carried out five or six years ago in one or two districts in Andhra Pradesh under the auspices of the Food Corporation of India. The farmers there had gleefully accepted the fertilisers supplied at subsidised prices, but at the time of the harvest had somehow forgotten to surrender to the Corporation the stipulated quantity of the grain. There is no assurance at all that that experience will not be replicated all over the country if the 'innovations' currently being touted by the Minister for Heavy Industry are pressed with.

It is thus once more the American model of the middle 1960s at work: subsidise the inputs, but do not press too hard on the affluent farmers in case they refuse to hand over a substantial portion of the grains raised; if you desire a somewhat larger order of procurement, ensure that the procurement prices are generously hitched up. Taking his cue from this, the Union Minister of State for Agriculture could not wait for the report of the Agricultural Prices Commission in the matter. In unseemly haste, he confided to a press conference that, irrespective of what the Commission might or might not recommend, the government is determined to raise by a significant amount the level of procurement prices for kharif foodgrains. The Commission was thus put on notice: from now on, procurement prices are going to be politically determined, and that is that; if the Commission refuses to go along, it is welcome to get out.

A kind of panic has taken over. The rise in purchase prices — overtly, as is being proposed for the procurement of kharif grains, or covertly, through subsidy of inputs as in the case of wheat — has certain implications for the issue prices and for the size of the fiscal deficit. But evidently, no one is worrying about that at this moment. Quite to the contrary, the proposal

to take over the wholesale trade in rice is being quietly shelved. Since the government does not have the gumption to come down on the rich farmers, a reversal of policy all along the line is on the anvil. Till the next crisis arrives on the scene, therefore, it is the rich farmers who will hold complete sway. They will not pay any taxes, the prices for their products will be jacked up, and the inputs they purchase will be supplied generously at subsidised rates. Despite all this, food for the poor is likely to remain short, for, even were the government's stock to swell once more, the poor will not have the wherewithal to purchase the expensively-priced grains. And, if the starving ones have the temerity to rise in protest against their circumstances, the forces of law and order will no doubt be at hand to take care of that.

India and EEC

Fruitless Negotiations

OUR trade negotiations with the European Economic Community do not appear to have yielded the results expected of them by the government. In the last two years or so, hectic activity has been going on both in the Indian embassy at Brussels and in higher policy-making circles in New Delhi to prepare a forceful trade negotiations plan so that Indian exports gain greater access to the EEC. Britain's entry into the EEC apparently strengthened our resolve, just as Article 24 of GATT, which entitles GATT members to compensation for loss of markets resulting from the enlargement of a restrictive trading area, strengthened our bargaining position. It was felt that India's position, along with that of other Commonwealth countries, was particularly strong in seeking concessions from the EEC since it was not only losing normal access to the British market but was also losing the preferential treatment received by it for a few decades.

The main objective India has been pursuing is a commercial co-operation agreement which would ensure greater access to Indian exports through both reduction of tariff barriers, in some cases to nil, and removal or reduction of quota barriers against a number of important export products like jute manufactures, coir products, handicrafts, processed goods and some simple manufactures.

Viewed in this context, what India has been able to obtain in the negotia-

tions with the EEC is disappointing. The EEC has offered to reduce its tariffs to one-half of their present levels on costlier varieties of jute manufactures on condition that India would limit their exports to EEC at 8,000 tonnes annually (which could be increased by 10 per cent per annum over the next three years), and removal of quantitative restrictions on the exports of cheaper varieties of jute manufactures, except in respect of France. The reduction of duties would be spread over the next two years or so with the first 20 per cent cut coming in July 1973 and the final reduction of 20 per cent taking effect by January 1975. With all these concessions the EEC market for jute will remain relatively an insignificant one compared with that of the UK. And what would happen to India's exports of jute goods to UK is still not known. The Indian official position is that at least the *status quo* will be maintained in respect of UK. But this hope is based on the assumption that even if UK is willing to permit Indian exports into the country as before, the other members of the EEC will permit it to do so. The British have been stressing time and again that they cannot afford to ignore their obligations under the Treaty of Accession, implying that they will have to erect by the year-end the EEC's common external tariff barriers against non-EEC imports.

In respect of the other demands put forth by India the EEC commission is adopting time-consuming procedures. Though Indian officials are still unwilling to admit the fact, it has become abundantly clear by now that the EEC's interest in India is at best marginal. The majority of the members of the EEC do not have the sort of political or economic stake in India that they have in the Associated African member countries under the Rome Treaty's reciprocal arrangements. Nor do they have any strong political interests in view, as indeed they have in respect of Yugoslavia to which they have offered a number of concessions, including liberal import of labour. India cannot offer much to the EEC countries in terms of a potentially fast expanding market. All the same, the EEC has made a suggestion to India in the form of a clause in the proposed agreement asking India to offer to the EEC countries access on a most-favoured-nation basis to India's natural resources. The government's first reaction to the suggestion has been rather cool. Since trade treaties are by definition reciprocal, the EEC coun-

tries are unlikely to offer anything to India which does not have much to give in return.

Exports

Misuse of Incentives

THE Report of the Comptroller and Auditor General (CAG) of India for 1971-72, in its discussion of the erstwhile Ministry of Foreign Trade now redesignated Ministry of Commerce, lends support to the view that the Ministry's export promotion policies lack objectivity and rationality. Among the various export promotion measures, cash subsidy and import replenishment are the most important, especially for exporters of non-traditional products. Yet the Ministry has not adopted any rational criteria for the administration of these two major export incentives. What is worse, there is evidence to show that these incentives have been sometimes misused to grant special favours to particular persons and firms.

Take, for instance, the case of cash subsidy granted in respect of exports of dehydrated onions. At the request of firm 'A' (a misplaced sense of delicacy apparently prevents the Comptroller and Auditor General from naming the firms in question) in early 1970, the Ministry offered cash assistance of 20 per cent of f o b value of exports of dehydrated onions with effect from July 1970 — on the assumption that the firm's exports would amount to Rs 25 lakhs in the first year. As against this the firm's exports of dehydrated onions were only Rs 4.76 lakhs in the initial year and it altogether stopped exporting onions after December 1971. The Ministry of Foreign Trade made a general announcement in April 1972, after firm 'A' had stopped its exports, that a 20 per cent cash subsidy would be available on exports of dehydrated onions from July 1970. Why did the Ministry not disclose to other units manufacturing dehydrated onions until as late as April 1972, by when firm 'A' was no longer interested in exports, that a cash subsidy was available.

The CAG's Report draws attention to another case in which a firm from Madras exported silver oxide worth Rs 52.5 lakhs to an East European country and was granted 20 per cent cash subsidy and 20 per cent import replenishment. Over two decades ago silver oxide was used as a drug for treating

hysteria patients and so found entry into the British Pharmaceutical Codex, 1934. The item did not find any mention in subsequent editions of this publication; nor does it feature in the Indian pharmacopoeia, as it is no longer used as a medicine. Yet the government gave its decision in 1972 that silver oxide was a drug, export of which was entitled to 20 per cent import replenishment and 20 per cent cash subsidy. This was done by pointing out that the item had been classified as a drug in the 1934 edition of the British Pharmaceutical Codex. It should be remembered that prices of silver in India were lower than those abroad at that time. Secondly, in the case under consideration silver oxide had been exported to a rupee payment country. Despite all these obvious considerations, the exporting firm was given a cash subsidy of Rs 10.5 lakhs and an import replenishment licence for Rs 10.5 lakhs in free foreign exchange in May 1972.

Yet one more case is that of another company 'A' which exported copper conductors through a foreign company B, acting as its sales agent on commission basis. At the time of the negotiation of the deal a director of the foreign company 'B' ceased to be its director and became a director of the Indian company. Company A had negotiated a deal to export 3,000 tonnes of copper conductors at stipulated prices based on the prices of copper on the London Metal Exchange. The company approached the government for cash subsidy on its exports at the rate of 10 per cent of the f o b price to cover its estimated loss on the deal. The government agreed to cover the actual loss on the assurance that the company would make available to the government cost accountant such production data and other information as might be required by him. The government cost accountant submitted his estimate of the loss before all the goods had been finally exported and suggested that the company should be asked later, after the completion of the order, to submit details of actual expenses duly certified by the company's auditors. Though subsequently the company did not submit any details about the expenses relating to this particular contract, the government paid the agreed cash subsidy to the firm and also gave it 70 per cent import replenishment licences. According to the CAG's office, the actual loss incurred by company A was only Rs 16.08 lakhs as against the government cost accountant's preliminary estimate of Rs 68.03 lakhs and the

actual subsidy paid by the government of Rs 41.91 lakhs. The CAG's Report also notes that the additional sales commission of Rs 6.45 lakhs paid by firm A to firm B on account of the price escalation clause in the contract was not in order and that this involved additional outgo of foreign exchange and also boosted the loss incurred by company A.

The economics of encouraging such exports is far from convincing. The domestic value added component in company A's export deal was only 5.5 per cent of the f o b value of exports of about Rs 5 crores, or Rs 23 lakhs, and the labour content was a mere 1.8 per cent of the f o b value. The subsidy of Rs 41.91 lakhs granted by the government gives a ridiculously high rate of subsidy of 182 per cent of the domestic value added. The CAG's Report aptly notes that "our country does not enjoy comparative advantage in manufacturing and exporting such a product, the import content of which is very high and labour content so low" (p 51).

The manner in which the government interprets export obligations imposed on firms is also strange. Firm X producing dehydrated onions had accepted export obligation to the tune of 80 per cent of its production and had on that basis secured the needed imports of capital goods from abroad. Though the export obligation had been given without any assurance of a cash subsidy, the company was given 20 per cent cash subsidy on its exports of Rs 21.7 lakhs during the period July 1970 to March 1972. What is more interesting is that though the announcement granting cash subsidy was made in April 1972, it was made effective retrospectively to all the units from July 1970. It is difficult thus to understand whether the cash subsidy is an incentive meant to induce people and firms to export or a *post facto* windfall for its recipients.

Agricultural Wealth Tax

To Save Farmer's Wealth?

NO one with even the slightest acquaintance with the efficiency of the Indian fiscal system will be surprised by the official revelation that out of the Rs 22 crores of expected revenue from the agricultural wealth tax only a paltry Rs 1 crore could be scraped together over the last three years. The excuse given

for this by the Ministry, that this is the result of land being owned by companies and institutions which are exempt from tax, should take in nobody. Information on land holdings and the condition of land records in this country is notorious for its inaccuracy and poor coverage. Even so, there are enough data to refute this latest official excuse. A number of studies conducted by the Reserve Bank and the NSS indicate that the aggregate value of rural assets held by cultivators is about Rs 33,000 crore and of assets held by non-cultivating households about Rs 3,000 crores; this means that about 91 per cent of rural assets belong to cultivating families. What is more, about 37 per cent of these assets are concentrated in the hands of the top five per cent of the rural rich — a fact which further undermines the veracity of the official plea. Land reforms have not materially altered this skewed wealth distribution in the villages, though they may have inspired formal land transfers within the households. In fact, since wealth tax is on individuals, to the extent that such intra-household transfers have been effected, they will have diminished the wealth tax liability on the same quantum of wealth.

This dismal performance of the agricultural wealth tax may be traced directly to fiscal mismanagement which has become endemic. New Delhi has always dithered while dealing with the rural rich on whose political support its survival depends. As in land ceilings, in the wealth tax imposed in 1970-71 too the individual, rather than the family, was made the leviable unit. Consequently notional transfers of land title within the same family have robbed the exchequer of possible revenues. At the same time, the exemption limit has been set so high, at Rs 1.5 lakhs, that as one source has estimated, all except a few at the top — 0.9 per cent to be precise — are left out. In reality, even fewer than those liable under the law proper pay the tax. For the law allows a long list of assets which a rich farmer can exclude from the purview of the tax. The Raj Committee has gauged that, after all the exemptions, the effective non-leviable minimum works out to 4 lakhs — which diminishes the number of households paying the tax to an insignificant number.

Clearly, if the government wants the agricultural wealth tax to yield revenues, the exemption limit will have to be lowered, the privileged exemptions beyond this limit to be removed, and the

family made the leviable unit. Such have already been the recommendations of the Raj Committee on Agricultural Wealth and Income Tax. Also, the Raj Committee has suggested tax levy on the shares of companies, co-operatives or trusts in land, so as to prevent the rural rich from dodging tax. Implementation of such suggestions, however, would again mean tampering with the same social group that the men in New Delhi rely on for their political sustenance.

Indo-Bangladesh Ties

Time for a Low Profile

THE discussions the Foreign Secretary of Bangladesh had in New Delhi have ended on a mute note. For the present, or so it would appear, we have little alternative but to wait for the Godot of Pindi's response, which may never arrive. Pakistan having decided in favour of other gambits, last year's Simla Agreement can now almost be taken to be obsolete. P N Haksar's carefully got together package too can be set aside, at least in its present form. As Indira Gandhi's internal problems have mounted, President Bhutto's difficulties have seemingly lessened, especially since the beginning of the current calendar year.

This is discouraging enough. What is even worse, New Delhi's perception of the domestic developments in Bangladesh too remains imprecise. The week during which Maulana Bhashani was fasting in support of, among other things, the demand for the abrogation of the Indo-Bangladesh Treaty was hardly appropriate for D P Dhar to lead a trade delegation to Dacca; on the day he arrived, the Bangladesh capital was shut down by a hartal ostensibly in support of Bhashani's demands. It was also the week when the results of the four by-elections to the Bangladesh Parliament were announced, confirming the fact of a substantial erosion in the popularity of Sheikh Mujibur Rahman's party since the general elections in March.

D P Dhar and his delegation were not the only irritant; to complicate matters further, there was also an Asian Peace Conference meeting in Dacca later in the week. Since this was an appendage of the World Peace Council, the combination of circumstances was bound to provide the impression of a pincer of a joint Moscow-New Delhi political offensive. Not unexpectedly, the largest contingent of foreign delegates to the Conference

was from India. The Ministry of External Affairs in New Delhi, it is fairly well known, is in the habit of covering the finances of at least some of the Indian delegates to such conferences. The practice started in the 1960s when the Government of India was anxious to use forums of this kind for strengthening the lobby against China. The original objective proved infructuous in no time, but paying of homage to inertia has continued. The practice is now integrated with a certain mindlessness, or, as some cynics suspect, is a fall-out of the developing Indo-Soviet camaraderie at the official level.

To many in Bangladesh, and even among those who are not pathologically biased against India, all this was unnecessarily provocative. A meaningful conclusion of the trade talks, leading to arrangements which could turn out to be mutually beneficial, was out of the question in the vitiated atmosphere; the joint statement issued at the termination of the Indian delegation's visit contains hardly any reference to the problems of trade and is a bland listing of the unilateral credits — or, if you will, hush money — offered by India. A large part of Bangladesh's current woes are linked to the fact that, having hitched its political — and, by implication, economic — stars to India's, it had to take the rough along with the smooth; the price level there had to come up somewhere around the level of India's. As the process involved a very steep climb within a relatively short stretch of time, while the corresponding adjustments in the levels of incomes have been neither quick nor equitable, the hardships experienced by the people could not but be widespread. In terms of supply-demand complementarities too, India has proved to be a singularly mismatched partner. It does not have an excess availability of either cotton or oilseeds, and its stock of foodgrains has run dry. It has little use for Bangladesh's inferior tea, but has given every indication of maintaining its role as price leader in the matter of the export of jute and jute manufactures. If, on top of all this, unscrupulous elements within the Awami League have used the opportunity provided by the difficult economic circumstances to feather their private egg-nests, the stigma for that too, via some not at all complicated psychological device, has been transferred to India.

Like it or not, we are now stuck with Bangladesh; despite epithet-mongering and developing recriminations, we have, for the present, no option but to turn the other cheek. However, in

view of the current mood, a policy of low profile would seem to be the right one to pursue; with minor emendations, one ought not even to mind period of what has come to be known as 'benign neglect': this might facilitate the quietening of some passion across the border. But a D P Dhar is constitutionally incapable of not cutting a swarth, and the kind of junk-teering Congressmen who found themselves in Dacca on the pretext of the Peace Conference are prone to shoot their mouth. It would therefore be scarcely surprising if the wages of the week turn out to be a spell of repentance at leisure.

Foreign Companies

Cloak over Remittances

THE Reserve Bank has published the latest in its series of studies on the finances of branches of foreign companies and foreign-controlled rupee companies (RBI Bulletin, March 1973). The study relates to 1969-70, so that its results are of little more than historical value. Further, the presentation of the results is such as to render them largely valueless even from a historical viewpoint.

A crucial piece of information which any study of the finance of foreign firms, branches or subsidiaries should be expected to disclose is about their remittances abroad by way of dividends and other payments. There is no information on this subject in the RBI study. The omission is totally inexplicable considering the mass of data on the subject which is in the RBI's possession. Given the rigid exchange control regulations, every remittance, under whatever head, has to be cleared by the Reserve Bank. So all that the Reserve Bank has to do is to ensure that the information in the possession of one of its departments is collected and analysed by another.

Yet another department of the Reserve Bank has been conducting regular studies of the country's international investments position, covering detail of profits earned, distributed and retained by foreign companies. The latest study in this series relates to 1967-68 and its results were published in the March 1971 issue of the Bulletin. The Reserve Bank had also conducted a comprehensive survey of 'Foreign Collaboration in Indian Industry' giving details of remittances, though the data were as old as for 1964-65.

Actually, the details of remittance

by foreign companies under various heads are readily available with the RBI even for 1971-72. This is evident from the information furnished by the government in reply to questions in Parliament from time to time. The RBI claims to have widened the scope of its study of foreign companies "by giving statistics for a larger number of industry groups, sub-groups, and for additional countries". But all this effort is largely wasted without the crucial information on remittances.

If the Reserve Bank's objective is to present information about other aspects of the working of the foreign companies — such as trends in costs, profits, assets formation, etc — its other studies of public and private limited companies (non-government, non-financial) are comprehensive enough. As many as 276 of the 407 foreign-controlled rupee companies have been included in these studies. At best, comparative ratios of profitability and asset growth, of the type presented in the study of foreign companies, could be given as part of the other studies. This would be sufficient to show that companies with foreign capital have shown better performance than the Indian companies in all respects.

Again, information about the 'stock' variables are given in the study for the two years 1968-69 and 1969-70 whereas that about the 'flow' variables are given for only 1969-70. Any attempt to compare the results of the latest study with those for earlier years is also defeated by the differences in the number of companies included in different studies. In the study for 1968-69, 223 branches of foreign companies were studied, whereas in the present study the number has come down to 216; out of these, 203 were common to both studies. The number of foreign-controlled rupee companies has gone up from 378 to 407, with 369 common to the two studies. To the extent the samples are different, the growth rates worked out in stock variables are not quite valid. The reason for such frequent changes in samples and their sizes is not clear. If it be suggested that the relative proportions, if not the absolute figures, would still be comparable for different years, the tinkering with the samples and their sizes would appear to be all the more redundant.

The raw data presented in the study do nevertheless suggest certain relatively minor but interesting features. One such concerns wage cost as a propor-

tion of the value of production. Another study by the Reserve Bank had indicated that the proportion was 13.4 per cent in respect of 290 large public limited companies (RBI Bulletin, July 1972). The corresponding ratio for the 407 foreign-controlled rupee companies covered in the present study is 11.8 per cent. The difference appears even more significant if it is remembered that salaries of senior managers and executives, which are known to be higher in foreign companies than in Indian ones are included under 'wages'. The difference is not explainable in terms of differential capital intensities; for, interest and depreciation costs of the two sets of companies are almost identical. Thus while the general impression that labour in foreign-controlled companies is well paid may be true, yet in relation to the contribution they make to the profits earned by these companies, labour's share is seen to be actually smaller than in other companies.

Lucknow University

Militancy without Ideology

A Correspondent writes:

AT Lucknow University the theory of student participation in University management has begun to signify dictation by students in all matters. Generally, it is the SSP-wing of students, specialising in militancy without ideology, and the RSS-affiliated students who manage to get elected to the Lucknow University Union — thanks to their 'attractive' promises, in the form of demands on the University authorities. Last year, a militant SSP student, with the help of toughs imported from Gorakhpur in east UP, was elected Union President. He was even given a several-gun salute.

The new Union President tried to project the following slogans: (1) 'Open Admission' (i.e., all those who apply should be admitted); (2) 'Open Examination' (i.e., all those who want to appear for an examination should be allowed to appear); 'Open Pass' (i.e., all those who appear at the examinations should pass).

In August-September 1972 the Dean of the Faculty of Arts resisted the first demand. He was gheraoed on several occasions, for hours each time. The academic community, represented by the Teachers' Association, did not support the Dean. The President of the Association, who was also the Dean of the Faculty of Science, was leader of

a disgruntled group that was not friendly with the Arts Dean. The District authorities too were unwilling to intervene on the ground that such intervention would merely spread the student agitation. All this gave strength to the SSP-RSS coalition in the Lucknow University Students Union.

At the time of the examinations, the students asserted their 'right' to be admitted to the examination halls, even when they had put in no attendance, whereas under the University Ordinances the minimum required attendance is 75 per cent. Student instigators pressed for mass copying to be allowed. This time, for a variety of reasons, the teachers took objection. Taking the position that invigilation had degenerated into a law-and-order problem, they said they would not invigilate unless the police came to their assistance. The Students' Union stuck to its guns. It declared that, if the police entered the campus, the students would tear the question papers and writing books. On May 10, they did so. The mass of examinees who had no share in this, their parents and guardians, were perturbed. The examinations had to be postponed by a few days and the Provincial Armed Constabulary (PAC) had to be called in to help the invigilators conduct the examinations.

But the PAC itself had been in a turbulent mood for some months. Several newspapers had reported that there were cells of the RSS in the PAC. They have been demanding that their trade unions be allowed to function under the united banner of a 'Parishad'. The Vidyarthi Parishad, the students' wing of the Jan Sangh, is dominated by the RSS. A meeting of the two 'Parishads' took place on the night of May 20, at about 9 o'clock. They decided to revolt together. The Vice-Chancellor, having got news of this, ran from pillar to post but could not move the District authorities to act promptly. The Army was ready to enter the university campus any moment but seems to have avoided doing so during the night as an armed confrontation with the PAC would have also involved the students. The PAC men and the students were together shouting: "Chhatra-Police Bhai-Bhai" ('Students and Police are Brothers'). The PAC men refused to listen to their officers and declined to quit the campus. They supplied petrol from their trucks to students who had a free time setting on fire the offices of the Registrar and the Proctor, the Faculties of Science, Arts, Commerce and Law, and the Examination Centre. The once beautiful Burma-teak stair-

case in the main building exists no more. The teachers' rooms marked with swastikas were burnt — except for the office of the Editor of the *Indian Journal of Labour Economics* which is protected by a wall. The watch-and-ward staff stood helplessly by. The fire brigade was chased back. Hundreds of non-participant students stood in front of the University Library and, with folded hands, prayed that the Library be spared. The incendiaries evidently responded. By 9 o'clock in the morning, on May, 21, the PAC had withdrawn and the army had entered the campus. Fire-extinguishing work was begun. A common remark was that what Bakhtiar Khilji had done to Nalanda, the self-styled devotees of *Bharatiya Sahitya* had now done to Lucknow University.

Lucknow University politics is a microcosm of the national scene. The opposition parties, mainly the Congress (O), that dominate the University Executive Council and other similar bodies, combine to use any kind of mercenary struggle in their campaign against the ruling party. What is even more unfortunate is that the Teachers' Association itself is riven by factions so that it has given top-most priority to removal of the Vice-Chancellor rather than to the general rehabilitation of the University. It has also failed to try and identify the teacher-patrons of the student hooligans and protect the University as a centre of learning and academic values.

Accidents

Distribution of Commiseration

ON the night the Indian Airlines jet was destroyed in New Delhi last week and 48 people lost their lives, including the Union Minister for Steel and Mines, two local trains collided in Bombay resulting in the loss of another 16 lives. But evidently some deaths are more important than other deaths. It is the rich who habitually travel by air and who become victims when a plane meets with an accident. In contrast, trains, particularly local trains, are used by faceless non-entities; when there is a train accident, it is usually those who do not matter who die. Understandably, therefore, the air-crash hogged all the attention of the news media. During the two days following the accident at Palam, in one or two New Delhi newspapers nearly 60 per cent of the total space not taken up by advertisements was earmarked for stories and reports concerning the loss of the plane and

the loss of famous lives. The tragedy near Bombay was consigned to an insignificant corner. The radio and the television did likewise.

Technically, in our kind of democracy, every adult has a vote and is, therefore, supposed to exercise equal political weightage. At the level of reality, a few at the top are always more equal than the rest. If they die, there is an additional element of tragedy and pathos. The relatives of the persons killed in the air-crash will receive compensation at the rate of Rs 100,000. Even the injured would be handsomely compensated. On the other hand, the relatives of the persons who lost their lives in the train crash are to be offered *ex gratia* payments of Rs 500; the injured

will be paid at the rate of Rs 400. The poor, it is assumed, do not deserve more.

Such instances of double standards evidently disturb no one. To be eligible for ascription as tragedy, an event must be one concerning the nobility of the country. The poor and the rustic may die through accidents, but theirs are mute deaths. No judicial commissions of enquiry into such commonplace deaths, no special high-level committees to recommend greater measures of safety. The distribution of incomes and assets determines just about everything, including even the distribution of commiseration at the time of death. The rich are bidden tearful farewell, the poor merely die.

Calcutta Diary

A M

PRAY, will insertions in newspapers help? Of late, has anybody seen the country's economists anywhere? With each week, the country sinks into a deeper morass. Charlatans, in government as well as outside, are on the loose and do havoc to this or that sector of economic activity. Astoundingly ridiculous explanations are furnished about why economic growth is near zero and why prices are rising and why procurement is not proceeding according to expectations and why income inequalities are getting aggravated. The credulity of the people have been exploited beyond endurance. Even so in the short run, the political alternatives are few and far between. This being the case, the fools and the bounders are being put up with.

One can nonetheless persist with the query: where are the country's economists? Have you seen any of them in the neighbourhood? What precisely are their current preoccupations? What do they think of the present state of the economy? Have they any comments to offer on the quasi-stagnation of output, on the government's inability to maintain the procurement and distribution system, on the awkwardness of the fiscal and monetary mechanisms, on the consequences of unbridled price inflation, and all that? On any crucial issue affecting contemporary realities, has one heard even one economist make a single significant statement in recent weeks? Banalities of course continue to be uttered in plenty, for example, that a reduction in the inequalities in con-

sumption expenditure would lead to a reduction in the aggregate demand for imports, or that in order that indirect taxation may not affect the absolute level of prices, measures have to be taken to reduce the unit cost of production. But beyond the parading of such transparent innocences, it is almost impossible to track down the minds of the economists. Where are they?

THE CORE AND THE PERIPHERY

They are either abroad, or possibly busy developing esoteric models about growth in some abstracted economy under some weirdest assumption or other about the nature of the production function, the time-path of growth, and people's time-preference. We have to pay the price of being a generally equilibrated world. And in the generally equilibrated world, our economists do what economists in the cosy Western countries do: the science of economics has become a plaything, and our good economists, along with those elsewhere, love to while away their time in playing at models which are purely abstract entities, and whose resemblance to the realities of life could never be even approximately established by even the most astute of prosecutors. At a certain point of recent history, economics ceased to be political economy. From the fairly sensible fact that analytical coherence in demonstrating economic principles could gain from mathematical rigour, far-reaching consequences followed. Gradually, the core and the periphery

interchanged places. Frustrated mathematicians discovered that nothing has been lost, they could still make a career out of economics; economics in due course was made the peg on which to hang their mathematical abstractions. Establishing or refuting economic laws became the feeble apology; skill fetishism took over. In any decadent society, the involvement with live, real issues is supplanted by the exhibition of empty skills as the major activity of an artist or a technologist. In this exercise of decadence, the United States inevitably assumes the role of the pace-setter. At a level of per capita income of \$5,000 dollars annually, you can afford to allow economists indulge in idle games. Of each additional dollar of national income produced in that country, roughly sixty-seven cents, or two-thirds, consist of income from services. It does not really matter whether a part of this service income takes the form of remunerations offered to a decadent group of economists lolling on mathematical fantasies, or of earnings from, say, the exploitation of sexual proclivities of the idle rich. Between what gets branded as mathematical model-building in economics and what finds its way on the pages of the *Playboy* magazine, one need not make any distinction at all. Both are illustrations of indulgence: in one case, the indulgence of the flesh, in the other instance, that of the abstract intellect. Neither leads to an increase in material output, not even indirectly. But, for the United States, it could hardly matter: that country has enough assets and incomes to play around with. The bottom deciles of the population even in that lush land may perhaps hold a somewhat different view about these goings-on, but neither the model-building economists nor *Playboy* could care less.

The problem is however transferred to hapless countries such as India, which spend a disproportionate share of their resources in rearing economists, pampering them and offering them all the facilities in the way of computers, equipment and suchlike, in the hope that they, in their turn, would teach the nation the secrets of economic growth. The economists in no time belie the hope. Perfect mobility is perfect mobility; our economists become aware in no time that the country's basic problems can wait, it is hypothesis-mongering which must receive priority. Moreover, model-

building exercises are not terribly satisfying unless conducted in the open forum of an international clientele. To be fair, it is perhaps not the steady demand emanating from foreign markets alone, there is also the latent inferiority complex in our economists — as in others —, who would like to be applauded by a non-native crowd. Their native land merely offers them some sets of raw data on which they apply their sophisticated skills for abstraction, which in any case are considerable for an average high-caste Indian. The models that are formulated and the equations that are fitted usually fall into two patterns. They are either on the basis of assumptions which are so remote that the conclusions following from them have not the least relevance to the country's problems; alternatively, after much huffing and puffing, much airing of obscure mathematical conditions and application of far-fetched statistical tests, the conclusions arrived at are about as trivial as the garden variety of observations on the weather made by your charwoman. Economists say either totally abstract things which have no relevance for contemporary or even long-range issues, or the most obvious things through a modality of obfuscations one could as well dispense with. Meanwhile, though, prices rise, income continues to be distributed more and more unevenly, the rate of growth slides down to zero, agricultural output marks time, the industrial structure is reduced to an absurdity, politicians trot out alibis for economic failures which would not meet the test of even fifth-rate intellects, and which would never be dared to be trotted out if only economists were around. But economists are not around; they are either permanently abroad, or they have gone out on their summer junkets. And those who have been left behind in the country will not come out in the open.

THE NEW OBFUSCATORS

They will not open for a number of reasons. Even those of the economists who stay back in the country — and they of course constitute the majority — have done reasonably well by the system. Among all so-called social scientists, economists as a tribe have registered the most material advance since Independence, for somehow politicians found them to be the most useful of the lot. Economics became the talisman of the prosperity that was

a-coming; the practitioners of the subject have exploited this role to the hilt. But a crisis was bound to overtake them sooner or later. An economist of even moderate competence will need little time to reach the conclusion that the factors underlying India's economic stagnation are almost entirely institutional; given the conglomeration of class forces, inequalities will aggravate and growth will be negligible. If savings fail to pick up, if a disproportionate part of aggregate investments are diverted to unproductive channels, if procurement is frustrated, if regional inequalities are intensified, if direct taxes on agriculture cannot be raised, if the unit cost of industrial output cannot be lowered, the reason in each case is extra-economic; if prices rise and government seemingly does not succeed in lowering them, it is because it wants the prices to rise, and abets in the process. A perceptive economist has to admit that he has little residual role left in the circumstances and that his profession has been played out. As a group, economists will not however prefer to utter such home truths; such a step would imply their going against the system which has propped them up; it may involve their bread and butter; it may involve a certain drying up of funds which provide the accountrements of comfortable living.

No, the economists know which side their bread is buttered. If the emperor has no clothes, they will be the last persons to proclaim that fact. They love their present role, which in many respects is parallel to that played by the Brahmin in ancient and medieval Hindu society. The Brahmins were the traditional obfuscators; they were the buffers between the masses and the Hindu kings. They would manufacture alibis explaining why the kingdom was not prospering and why the poor must remain condemned to their state of servitude. In the structure assiduously built in this country over the past two and a half decades, the economists have blossomed forth as the new obfuscators. Politicians could not do without them; no dearth of opportunity for them, there is saturation money for this or that project and for umpteen meaningless model-building exercises. The masses must be provided with ample diversions so that they would not come to know the essential facts about their current plight; economists are providing these diversions, that is, those amongst them who have condescended to remain behind in this poor, hot country.

Challenge and Response

Romesh Thapar

THE terrible air disaster on the outskirts of Palam once again in a flash uncovered the rotten state of work and performance in our country. Instruments are not working, equipment is not maintained, communications are primitive, norms of every description are broken, standards are not maintained, duty is shirked and there is looting. Whenever there is an emergency, in whatever area, the same story of a sick system is repeated. On this occasion, the very centre of power is affected — and something may result from the probes that have been launched.

There's a lot of heart-searching going on. We are in a situation where everyone has devastating comments to make about someone else, but few, very few, do their own job at a competence expected of them. We have quietly, over the years, persuaded ourselves into believing that we possess all manner of remarkable qualities, and the sorry part of our degradation, moral and otherwise, eludes us. The air disaster will soon be forgotten, or left to committees of enquiry to ponder on but the crises which surround us can no longer be willed away. They demand remedial action by a leadership which knows its mind.

The strange handling of the Bihar situation where governments are made and unmade without thought of relevance of leadership, and the inexplicable reluctance to crack down on Uttar Pradesh and order its cleaning, now gets pitchforked into a central ministerial reorganisation following the death of a dedicated colleague. Procrastination could gather more problems. As one piles up on the other, political house-keeping becomes more and more forbidding. Politics has been reduced to a game of chess. Its time programmatic action was restored. All else is illusory.

Observers in Delhi cannot but note the ready response to decisive leadership. The spreading railway strike, an expression of the cynical opportunism of inter-union rivalry, was broken with the order banning strikes. To have permitted this strike at this moment would have caused a vast dislocation. Yet, there are certain colleagues of Indira Gandhi who continue to make known their opposition to the banning. The Prime Minister tolerates these elements at her peril —

for, the need to impose discipline on other key services and production points is urgent. No ministry can evade responsibility.

As disciplines are imposed on powerful and organised sections of the working force, it is equally necessary to correct the causes of genuine discontent. Disgruntled over the banning of strikes, Indira Gandhi's colleagues are unlikely to function positively on discontent. There is grave danger here, danger that is not adequately seen in the bureaucracy-encrusted system we have built up for ourselves. Only when the genuine discontent has been uncovered will it be possible to move to purposeful trade unionism in contrast to the present gang war by political parties, including the ruling Congress.

The breakdown of marketing and supplies, following on the railway disruption and the failure of the grain trade take-over, has pushed the emergency into new dimensions. Already speculation has begun on the fixation of wheat and rice prices. There is serious questioning about the capacities of those who fixed these prices which have angered not just the rich farmers. Calculations are being revised. Excuses are being trotted out about earlier estimates of agricultural costs. It is a situation loaded with confusion. And the only beneficiaries seem to be the "kulaks" (sic!) in the USA and Canada; they should raise a memorial to radical colonial economics, said a nasty joker the other day!

The breakdown in grain distribution is paralleled by the failure to get coal to points where it is needed. Consumer products, in short supply or in

excess, are just not getting to sales outlets. In the Capital, for example, the conviction is widespread that a major marketing collapse is on the way because price control mechanisms have got into a tangle and it is no longer profitable to produce. Goods, it is said, will disappear into various black-markets, with their own price mechanisms, compelling a frightening increase in living costs.

While all this may be exaggeration, there is little doubt that marketing and distribution are likely to become a major headache. May be, we need to launch a number of professionally manned and competing trading companies. May be, we need to build around the existing private networks. May be, we have tampered rather carelessly with existing mechanisms, when we have no adequate substitutes. May be our permit-licence raj has finally demoralised the producers of goods and they need solid reassurance that they are not going to be kicked around. May be, we have to free the economy until we get over our cynicism about work and performance. May be, we will remain corrupt and useless for some time to come.

Although politicians of various hues prattle incessantly in public, they are in private without even tentative answers. They are probably resorting to that old stand-by — astrology. The initiative can still very firmly be wielded by the Centre. But the Prime Minister and her senior colleagues have to decide categorically on the priorities. As this level of power, the old animosities and suspicions must not vitiate meaningful action. Probably this is asking for too much. But let's hope the nature of the crisis qualitatively changes responses.

June 4

SUBSCRIPTION RATES

	Inland	Foreign (surface mail)
6 months	Rs 40	
1 year	Rs 75	Rs 110
2 years	Rs 140	Rs 210
3 years	Rs 200	Rs 305
Concessional Rates for Teachers and Students		
6 months	Rs 18	
1 year	Rs 35	
2 years	Rs 60	
3 years	Rs 80	

Concessional rates are not applicable to students and teachers outside India

Time for Inventory-Building

Hansavivek

RAIPUR MANUFACTURING has decided not to implement its ceramics project, as government suggested certain changes in the foreign collaboration agreement which were not acceptable to the collaborators. Besides, the estimated project cost has gone up substantially rendering the project less profitable. The installed capacity of the mills is 45,512 ring spindles, 6,760 doubling spindles and 800 looms (including 264 automatic ones) with complete dyeing, bleaching, roller printing plants and physical and chemical testing laboratory. As a part of the reorganisation and renovation programme, the company incurred last year a capital expenditure of Rs 30 lakhs. Im-

proved market conditions helped the company to produce better results for 1972, although it had to contend with intermittent shortage of power and allround rise in costs. The prices of Indian cotton had gone down considerably because of a record crop, but the company had to spend more on cotton as it consumed a higher proportion of foreign cotton, the prices of which ruled higher. The import duty of 40 per cent on imported cotton, imposed in the last budget, in place of the effective rate of about 3.5 per cent heretofore, is likely to affect the current year's profit. The excise duty on 50:50 polyester-cotton blended fabrics has been changed to 15 per cent ad

valorem, which, it is felt, may not be absorbed by the market. The company's exports declined last year from Rs 18 lakhs to Rs 10 lakhs. The further levy imposed by the Indian Cotton Mills' Federation as export promotion fees has been of the order of Rs 3 lakhs. The government has fixed compulsory exports for 1973 at 16 per cent of the packed production of 1971. The management is hopeful that the company will be able to discharge the obligation fully. The ICMF decided in March last to raise the rate of contribution to a rupee per square metre of shortfall in manufacturing controlled cloth in respect of the period July to December 1972. This liability is estimated at about Rs 9 lakhs and will arise in June 1973 in the event the company fails to fulfil the obligation by that time. The directors say that the sophisticated and modern machinery in the mills is not

The Week's Companies

(Rs in Lakhs)

	Raipur Mfg		British Paints		Bombay Oxygen		Kohinoor Mills	
	Latest Year 31-12-72	Last Year 31-12-71	Latest Year 31-12-72	Last Year 31-12-71	Latest Year 31-12-72	Last Year 31-12-71	Latest Year 31-12-72	Last Year 31-12-71
Paid-up capital-Reserves	85	85	75	75	149	149	113	111
Borrowings	171	165	88	95	47	28	115	97
of which Term borrowings	220	202	68	71	72	—	473	543
Gross fixed assets	39	33	—	—	15	—	34	14
Net fixed assets	489	462	118	96	160	160	709	700
Investments	254	241	59	43	112	118	146	156
Current liabilities	11	11	3	9	123	—1	4	4
Current assets	96	99	118	127	68	60	217	276
Stocks	317	297	287	315	68	119	768	867
Book debts	196	150	141	167	13	11	530	570
Net sales	105	140	142	154	46	27	232	291
Other income	494	467	421	438	97	80	1550	1194
Raw material costs	14	13	5	9	20	17	19	17
Wages	181	162	235	241	25	21	621	599
Interest	105	93	81	79	17	13	422	402
Gross profit(+)/loss(—)	22	21	7	6	5	—	55	48
Depreciation provision	61	75	25	45	51	43	35	—
Tax provision	24	23	7	5	7	8	22	25
Net profit(+)/loss(—)	13	20	12	17	25	7	—	—
Development rebate provision	24	32	6	23	19	28	13	—25
Transfer to reserves	4	6	1	1	—	—	2	3
Dividend	10	12	—4	13	1	10	2	—3
Amount	P1	1	E9	9	E18	18	E9	—
Rate (per cent)	E 13	13						
Cover (times)	P4.50	4.50	E12.50	12.50	E12	12	E8	—
Ratios (per cent)	E 18	18						
Gross profit/sales	1.77	1.92	0.55	2.44	1.08	1.83	1.22	—
Net profit/capital employed	12.34	16.06	5.94	12.74	52.57	53.75	2.45	—
Inventories/sales	5.04	7.08	2.60	9.54	7.09	15.82	1.85	—
Wages/sales	39.67	32.08	33.49	38.13	13.43	13.75	34.19	47.82
	21.25	20.00	19.24	18.04	17.52	16.25	27.22	33.66

suit for manufacturing controlled fabrics of coarse and lower medium counts. The incidence of the burden to be borne by the company in the current year will be of the order of about Rs 21 lakhs, the consequences of which are going to be severely felt by the company. The directors are seriously considering as to what "course of action" they should follow. The 1972 results were better than the previous year's with higher sales. Owing to a provision of Rs 17 lakhs for gratuity, however, the gross profit turned out to be lower. The inventories/sales ratio showed a sizeable increase over the year.

BRITISH PAINTS (INDIA) has had a difficult year to December last, with slightly lower sales and sharp deterioration of margins. There was a nine-week shut-down of the factory in the earlier part of the year, but actually the company could not operate at full capacity almost throughout the whole year. The situation was aggravated by the occasional but serious break-downs in supply of some of the raw materials and packaging materials. Rutile, one of the major raw materials, was chronically in short supply during the last 4 months of the year, which happened to be the peak season. Also, during the middle of the year the company experienced non-availability of printed metal containers. Paint production declined by about 25 per cent over 1971, and the unit cost of production rose steeply. The physical volume of goods sold was about 11 per cent lower than in 1971, but the rupee sales were down by only 4 per cent on account of improved product-mix and higher unit revenues. The measures taken in the area of credit stock control yielded good results. Long-term debts were reduced by 40 per cent, and the average length of credit extended to customers shrank considerably. Likewise, stocks were kept under better control and stores inventory and year ending finished goods showed a marked improvement. A settlement with the employees' union was signed in January and operations largely normalised after that. During the year, the company incurred capital expenditure of Rs 16 lakhs.

BOMBAY OXYGEN has installed two oxygen plants out of the three received from GDR in the premises of Mukand. Iron with whom a long-term agreement has been entered into for supply of oxygen through pipelines. The third plant has been installed at the company's own works at Mulund near

Bombay. The company has received Rs 3 lakhs as compensation from Invest Export of GDR against an old claim. Although the amended Income-tax rules provide for full depreciation on gas cylinders, permission of the Company Law Board has been obtained to declare dividend out of the profits by providing depreciation on straight-line method. The company has made a representation to the tax authorities for claiming relief under Section 80 J of the Income-tax Rules and also for unabridged development rebate. Provision for tax has been made assuming that this claim will be allowed by the Income-tax department. Bombay Oxygen has invested about Rs 123 lakhs in the shares of Raptakos, Brett, a pharmaceutical manufacturing concern. Over 92 per cent of the equity capital and 50 per cent of the preference capital are held by the company. Last year, the company received a net dividend of Rs 5,47,648 from the subsidiary for 1971. The yield on investment works out at barely 4.4 per cent. The amount has been surrendered to the vendors, since as per the agreement the shares were purchased on an ex-dividend basis. An amount of Rs 1,80,000 is due to the company from parties with whom the agreement to purchase land has been terminated. On account of the default in payment, a suit has been filed against the parties.

KOHINOOR MILLS has, in line with the textile industry as a whole, shown improved results for 1972 and is paying a dividend of 8 per cent, although the entire surplus together with the write-backs from unclaimed dividends, excess provision for taxation and from general reserve, together aggregating Rs 28 lakhs, has been utilised to wipe off the loss brought forward from the previous year. The directors say that the decision to pay a dividend has been influenced by improved working in the first quarter of the current year, and the continuing favourable trend in cloth prices. The company has given a guarantee on behalf of the subsidiary, Navjivan Mills, to the tune of Rs 178 lakhs. As at the end of 1972, the subsidiary's accounts disclosed an accumulated loss of Rs 104 lakhs, besides arrears of depreciation amounting to Rs 24 lakhs, and doubtful debts and advances not provided for to the tune of Rs 7 lakhs. Kohinoor's directors say that in view of the improved working of Navjivan, the outcome of the guarantee given on its behalf and the ultimate realisation of the investment in and advances to

that company are "unlikely to be adverse".

SUPERIOR AIR PRODUCTS, a new company, is establishing a project at Faridabad for the annual production of 1.5 million cubic metres of oxygen, one lakh cubic metres of dissolved acetylene gas, 50,000 cubic metres each of argon and nitrogen and 100 tonnes of nitrous oxide. The capital cost of the project, estimated at Rs 95 lakhs, is proposed to be met by share capital (Rs 35 lakhs), borrowings (Rs 31.50 lakhs) and deferred payments (Rs 28.50 lakhs). The company is entering the market on June 20 with an offer of equity capital of Rs 22 lakhs in shares of Rs 10 each at par. The subscription list will close on June 29 or earlier, but not earlier than June 23. The entire machinery and cylinders will be obtained from manufacturers in Italy, Germany and Japan, for which necessary import licences have been secured. An in-built provision is being made in the design of the plant to leave considerable scope for expansion at a minimum cost. Almost all the raw materials are readily available from indigenous sources. Efforts are being made to start production as early as possible to take advantage of the grant of development rebate. On completion, the project will be the biggest of its kind in northern India. It will also be the only unit manufacturing nitrous oxide in northern India and will be the third largest argon-producing unit in the country as a whole. The Board is headed by Dharma Vira, ex-Governor of Punjab, West Bengal and Mysore. The other members of the board are: Bansi Dhar of DCM Group, Kuldeep Chandra, A K Roy, retired Comptroller General of India, Ashok Chandra and Abinash Chandra. The management expects the company to pay a maiden dividend of not less than 10 per cent from the second year of its working and to step it up in subsequent years. Being a 'priority' industry, the company and its shareholders will be entitled to tax concessions prescribed under the Income-tax Act.

DAMANI DYE-CHEM is introducing, for the first time in India, a synthetic plaster manufactured in collaboration with Hermann Thone KG of West Germany. Suitable for plastering any surface such as concrete, wood, glass etc, the plaster is based on synthetic fibres, chemicals, minerals and special type of colour pigments. It does not burn. The product has been modified to suit the climatic conditions in India.

NEW DELHI

Is the Procurement Price Too Low?

WHILE the government is succumbing to the pressure for higher procurement prices for the marketed surpluses in foodgrains controlled by the big farmers, it may not be amiss to look at the facts regarding the cost of production of principal foodgrains on which the case for higher procurement prices is sought to be based. The Food and Agricultural Ministry initiated in 1968 a Comprehensive Scheme for studying the cost of cultivation of principal crops. The technical details of the scheme were worked out by the Institute of Agricultural Research Statistics on the basis of the recommendations of a Standing Technical Committee. The study has been carried out in collaboration with agricultural universities, the agro-economic research centres and other competent institutions. Its first reports under the comprehensive schemes are available and cover: the cost of production of wheat in Haryana and Punjab during the 1970-71 season and the cost of production of wheat during the 1971-72 season in respect of selected holdings in Uttar Pradesh. A great deal of more work has yet to be done under this scheme. But the data for wheat already give a fairly reliable picture of the cost situation for this crop. The conclusions of the study completely demolish the argument that the cost of production of wheat is not covered by the procurement price fixed by the government and that higher price and additional incentives are required to make wheat farming remunerative and profitable.

The overall results of the studies may be summarised as follows: The cost of production of wheat was found to be only Rs 27.07 per quintal in Punjab, Rs 23.57 in Haryana and Rs 19.48 in Western UP if the cost was taken to cover only paid-out costs. Paid-out costs in the study include hired human and bullock labour, seed, manures, fertilisers, pesticides, irrigation, depreciation on implements and farm buildings, interest on crop loans, land revenue and other taxes. In the conditions of our farming paid-out costs represent the most relevant basis for working out the cost and returns for an overwhelming majority of the farmers. On this basis of reckoning cost, it is clear that a procurement

price of Rs 76 per quintal and assured sale to government agencies of whatever the farmer may want to sell at that price gives a very fair margin to the farmer and an attractive incentive for raising production and productivity.

The studies, however, take into account other concepts of cost also. They show that if to the paid-out costs are added the rent that may have to be paid on leased-in land, in the case of those farmers who take some land on lease to make their farms more viable the cost of production will go up marginally, to Rs 28.44 in Punjab, Rs 24.07 in Haryana and Rs 19.64 in Western UP. If to this are further added the rental value of owned land and interest on owned fixed capital, the cost will go up to Rs 54.34 in Punjab, Rs 41.39 in Haryana and Rs 42.34 in UP. And if, finally, the imputed value of family labour is also added, the comprehensive cost will go up to Rs 61.04 in Punjab, Rs 48.10 in Haryana and Rs 49.68 in Western UP. Even on the basis of the comprehensive costs so worked out, the present procurement price gives a fair profit for the farmer.

INTERESTING DATA

Now take some of the more detailed aspects of the study which provide interesting information. First, as regards the structural characteristics of the selected farms which are relevant for working out the cost of production, it is seen that the average size of the holding is larger in Haryana than in Punjab. But the average size of the farm family is also larger in Haryana than in Punjab, so that the average size of farm family per hectare is only slightly larger in Haryana than in Punjab. The proportion of leased-in land to the total cultivated area is very small in both states, but it is smaller in Haryana than in Punjab. Further, most of the holdings in Haryana and Punjab have irrigation facilities and the intensity of cropping is therefore high. But the average value of owned and self-cultivated land per hectare as well as of other assets is lower in Haryana than in Punjab. This last factor is the principal reason why the cost of production in Punjab comes to be very much higher than in Haryana when the comprehensive cost concept,

rather than paid-out costs, is used.

The study shows that paid-out costs of cultivation per hectare is Rs 707.45 in Haryana and Rs 815.54 in Punjab while the yield per hectare is 22.74 quintals in Haryana and 24.40 quintals in Punjab. While Punjab has higher yield per hectare, its comprehensive cost of production is higher than that for Haryana, being Rs 1654.59 and Rs 1265.12 per hectare, respectively.

An important finding of the study is that if comprehensive costs are taken into account, the cost of production per quintal declines substantially for larger holdings in Haryana — from Rs 59.44 for farms upto 2 hectares and around to Rs 40 for farms of 18 hectares and above. A similar decline is not to be seen in Punjab. Another interesting finding is that tubewell irrigation is the largest single source of irrigation in both states. Further, in Haryana the cost of cultivation per hectare as well as the cost of production per quintal is the highest in the case of holdings irrigated by tubewells and the lowest for canal irrigated holdings. The position of Punjab is quite the reverse of this. Though comparative figures of cost of production for irrigated and unirrigated land are not sufficiently reliable, it is found that the costs per quintal are nearly 25 per cent higher for unirrigated land compared to irrigated land. In both states the cost of production per quintal for bullock operated and tractor operated holdings is not very different, tractors giving only a marginal advantage.

There are, of course, wide variations between maximum, minimum, and average cost of cultivation and cost of production. The yield per hectare ranges between 58.57 quintals in Haryana and 53.94 in Punjab at the maximum and 9.27 and 8.23, respectively, at minimum; the average being 22.74 quintals for Haryana and 24.40 quintals for Punjab. The cost per quintal in the two states ranges between Rs 150 and Rs 17. This is on the basis of comprehensive costs and not paid-out costs.

The rate of return, according to the study, works out for Haryana at 48 per cent over total comprehensive cost and 161 per cent over paid-out costs. The corresponding figures for Punjab are 20 per cent and 131 per cent.

The break-up of the cost of cultivation per hectare shows that operational costs account for 62.66 per cent of the

total comprehensive cost while fixed costs account for the rest. Operational costs include human labour, bullock and machine labour, seed, fertilisers, insecticides and irrigation charges. Fixed costs include rental value of owned land, rent for leased-in land, land revenue and other taxes, depreciation and interest on fixed assets.

Seed constitutes 7.65 per cent of the total comprehensive cost while fertilisers and manure constitute 9.13 per cent. Irrigation charges account for

8.66 per cent. It would appear that input costs, the alleged rise in which is being made the ground for an increase in procurement prices, constitute a relatively minor fraction of total cost.

The study of costs in UP gives similar results as for Haryana and Punjab. It is on the basis of these studies that the Agricultural Prices Commission came to the conclusion that the procurement price for wheat was fair to the farmer.

More Moonshine on Employment

(From a Special Correspondent)

THE Committee of Experts on Unemployment, which submitted its report recently, was set up as early as in December 1970 "for assessing the extent of unemployment and underemployment in all its aspects and for suggesting suitable remedial measures". Despite its labours spread over two years, the Committee has hardly enlightened anyone on the subjects of unemployment and underemployment. It may be recalled that when the Fourth Plan was under preparation serious doubts were raised regarding the statistics of backlog of unemployment mentioned in the Plan documents. That was how the Dantwala Committee on Unemployment Estimates came to be appointed in August 1968 to advise the Planning Commission on methodological issues concerning estimates of unemployment. The Committee, which submitted its report in April 1970, had deprecated the existing practice of estimating labour force, additional employment generated and backlog of unemployment, at the beginning or end of a Plan period, in "one-dimensional magnitudes". It emphasised the need for studying what M. L. Dantwala subsequently described in this journal as the anatomy of unemployment and underemployment ("Approaches to Growth and Employment", December 16, 1972). This called for "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". The Committee had suggested a series of measures for the collection and presentation of unemployment data to be procured through the Census, the National Sample Survey, Employment Market Information and the Employ-

ment Exchanges.

The Bhagavati Committee has paid lip service to the need for "disaggregation of estimates relating to different aspects of the labour force on the basis of social, cultural and economic factors affecting population as also of the aspirations and job preferences of the unemployed and the underemployed". But its own discussion of the subject is based on the very procedures adopted in the past which the Dantwala Committee had rejected as useless. The number of the unemployed is placed by the committee at 18.7 mn in 1972, of which 16.1 mn persons are estimated to be in rural areas and only 2.6 mn persons in the urban areas. The Planning Commission had placed the backlog of unemployment at the start of the Fourth Plan (April 1969) at "9 to 10 million, of whom about three-fourths are in the rural areas". The Bhagavati Committee has thus sharply revised upward the estimate of unemployment, but without any reliable empirical basis for doing so. Not that the Committee had no worthwhile data to go by. There was, for instance, the 25th Round of the NSS (July 1970-June 1971) which was designed specially to collect comprehensive information about the weaker sections of the rural population. The unconventional results of the NSS do not dispute the existence of vast unemployment and underemployment in the country, but it brings out that a significant proportion of it in the rural areas is not in the conventional form of a factor of production eagerly waiting to be transported, body and soul, to the place of employment. People are not prepared to take up jobs in public works even if such works be near their villages. Caste and other social factors are another bar to taking up employment

on public works. The Bhagavati Committee, however, is completely innocent of all such sophistications.

It was inevitable therefore that the Committee would perform the second part of its job — suggesting suitable remedial measures — in an equally perfunctory manner. According to Ashok Mitra, a dissenting member, the Committee's various recommendations, "are by and large a compendium of conventional wisdom". The Committee has enumerated as part of the "strategies for employment generation" every conceivable programme except perhaps one for a moon landing! It has also deemed it necessary to dwell on the importance of restricting the growth of population through family planning and has even gone into discussion of family planning devices — it has advocated more liberal abortions; provision of hospitals and health centres with medical and para-medical staff; basic research into reproductive biology and demography; and postponement of the age of marriage.

In industry, the Committee's suggestions include better capacity utilisation, adequate supply of raw materials, discouraging highly sophisticated or automated machinery, wider dispersal of industries, building up of infrastructural facilities in backward areas, development of ancillary units, improving the functioning of existing traditional village and small industries and harmonious industrial relations. There are also certain 'radical' measures: a strategy for utilising the financial and managerial resources of the larger industrial houses; full utilisation of industrial capacity once created, "whether authorised or unauthorised"; and encouragement of industries to maximise production by working two or three shifts. In other words, the existing industrial controls should be ignored, except in 'critical areas'. What the Committee has not bothered to ponder on is whether this liberal approach to industrial growth will produce the goods needed for satisfying the consumption needs of the poor for whom employment opportunities are being created. If it does not, rise in the prices of consumption goods would nullify the benefits of employment to the poorer households.

Likewise, a series of programmes have been proposed for agriculture and construction. In agriculture, the Committee suggests a massive programme of rural works for irrigation, soil conservation, land reclamation and rural

roads; special programmes for low-rainfall areas such as conservation and economic use of available water and soil moisture and evolution of suitable cropping patterns; dairying, poultry farming, piggy and sheep breeding, fishing and cultivation of vegetables and fruits; increasing the area under all plantation crops, cashew and edible oilseeds, including soyabean and sunflower; and better exploitation of forest resources.

This still leaves the major field of road and house construction. And here the Committee really spreads itself: it suggests construction of main roads with an outlay of Rs 2,400 crores upto 1980-81 and of about 2.92 mn rural houses involving a total cost of Rs 875 crores. Of this outlay, about Rs 700 crore "could be provided by the persons constructing houses" and the balance is to come by way of loans from the LIC, etc. In the urban areas, the present rate of house construction could be stepped up by 40 per cent, i.e., an additional outlay of Rs 2,000 crores for 1.35 mn additional houses. Of these 0.6 mn units with an outlay of Rs 1,200 crores are set aside for the private sector.

The Committee has also complained of the lack of foresight and care in the selection of Plan projects, which have hindered the proper implementation of Plan programmes. In the manner of presenting a great discovery, it also points out that the benefits of the Plan programmes have not accrued to the weaker sections of the community.

BASIC QUESTIONS

On the whole, therefore, the Report is a graduate level essay on a pattern of development of the economy which would generate additional employment. The more fundamental questions that arise from a reading of the report are: (i) can there be a significant employment programme independent of the overall programme for development?; (ii) how far are the current development programmes oriented towards maximising employment, even as the capital base of the economy is being strengthened? More specifically, is there a trend towards displacement of labour by capital in areas where technological considerations do not call for such substitution? and (iii) in the complex socio-economic situation such as the one obtaining in India, what is the role of programmes designed primarily to create employment.

As for the first of the above questions, there is no gainsaying that em-

ployment generation is primarily a function of investment in different directions. Thus construction of houses on a massive scale, for instance, needs steel, cement, asbestos, bricks and other construction materials, which are all in short supply. Again, a massive programme of employment would generate additional demand for a wide variety of consumer goods which, again, are in short supply. It is thus essentially a question of the right mix of policies with regard to investment and the impact of it on sectoral distribution, employment and income generation — all along an integrated time-path of growth.

It is in this context that the second question above becomes relevant. Despite the lip service paid by government to the need to prevent the introduction of labour-displacing techniques where technological considerations do not call for such substitution, there has already taken place, and there continues to take place, considerable avoidable substitution. In all the Plan periods, the actual capital-output ratios have

KERALA

After the Feast...

THE food situation in Kerala has become grave and the government is really in a panic. A fortnight back, the state Food Minister and MPs from Kerala saw the Prime Minister and pleaded with her to restore the cut in the allotment of rice to the state. All the same, the government was compelled to reduce the quantum of ration from 160 gms a day to 80 gms. Immediately the free market price of rice shot up from Rs 1.30 per kg to Rs 2.50 per kg. Similar increase in the prices of tapioca, pulses, sugar, cooking oil and other food articles followed. A ministerial delegation, headed by the Chief Minister, and another high-powered delegation led by the President of the Kerala Pradesh Congress Committee rushed to Delhi, paid obeisance to the Prime Minister and impressed on her the hunger that haunts the people of Kerala and its political consequences. They returned with an assurance that a monthly allotment of 90,000 tonnes of food-grains would be made available to Kerala from June to September. The state government wants to increase the ration to 100 gms of rice and in addition give 80 gms of wheat a day from June 4. It is also expecting some mar-

turned out to be considerably higher than what were originally postulated. Even the Approach to the Fifth Plan assumes a higher incremental capital-output ratio of 3.14 as against the comparable estimated ratio of 2.33 for the Fourth Plan period. The Bhagavati Committee has, however, missed the opportunity to make a detailed industry-wise study of developments in this regard and make concrete suggestions regarding the employment potential of investment and production in different sectors of the economy.

Once these considerations are borne in mind, the role of special employment schemes is seen to be peripheral in tackling the overall problem of unemployment and underemployment. These schemes should be designed to tackle immediate and specific problems which do not come within the purview of the regular developmental programmes. The overall employment policy has to be a part of the strategy for investment, development, income generation and better distribution of income and wealth.

ginal help from the neighbouring states, particularly from Tamil Nadu, in exchange for the surplus power available in Kerala. But what the Tamil Nadu Chief Minister is really interested in is whether M. N. Govindan Nair, the Kerala Electricity Minister, would be able to persuade the Tamil Nadu unit of the CPI to break away from Anna DMK, which has started to lean on the CPM.

Let us look at the present food crisis a little closely. Rice is the staple food of the people of Kerala. The state produces only 40 per cent of its rice requirements. Local procurement has been hardly sufficient to give rations at the rate of 160 gms a day for about three weeks. After the breaking up of the southern food zone consisting of Andhra Pradesh, Tamil Nadu, Mysore and Kerala into separate state zones in 1964, Kerala has been under statutory rationing, the ration quota being 160-gms of rice, with slight variations now and then, and with an option of getting an additional 160 gms of wheat. The Central government knows perfectly well that Kerala's huge food deficit is due to its concentration on commercial crops, which earn valuable foreign exchange for the country. There

was, therefore, no dispute about the responsibility of the Centre to meet the food requirements of the state.

LEAN MONTHS AHEAD

However, the Centre has to frame its policy on the basis of the availability of foodgrains. Last year's monsoon failure brought down domestic production and created scarcity conditions in large parts of the country. Further, there is a world shortage of foodgrains and rice is simply not available for import. Even under the worst scarcity conditions, Kerala can somehow manage with tapioca, fish and other food articles available locally — except for the monsoon months. During June-August, even such substitutes become scarce. This is the time when people look to rice the most. The government has miserably failed to take these facts into consideration in formulating its food policy. The Food Minister has been unable to size up the problem in the correct perspective and in time. He really helped to give a false sense of abundance by allowing people to violate the guest control order with impunity and instances were not rare of Ministers and enforcement officers partaking of grand feasts when in other parts of the country people were on the verge of starvation. Would it not have been better had the government enforced a little austerity during the festive season and tried to build up stocks even by reducing the quantum of ration so as to be able to increase it during the lean months? However, after his return from Delhi, the President of the KPCC seems to be once again optimistic about the food situation. The Centre may be able to allot 90,000 tonnes of foodgrains a month to Kerala; but the question is whether the administrative machinery and the transportation system would be capable of moving such a large quantity so as to reach the ration shops regularly and avoid frequent breakdowns in rationing during the lean months ahead. After all, Kerala is not the only state which requires foodgrains on a priority basis.

The food crisis has once again revived talk of food self-sufficiency in Kerala. A conference of the various interests hurriedly called by the Chief Minister has repeated the measures necessary for augmenting food production. There is hardly any uncultivated land which could be brought under the plough. The only way to step up rice production is

through higher productivity. For that, high yielding varieties of seed, adequate water, nitrogenous fertilisers, pesticides and at least partial mechanisation may be necessary. But the key factor will be the farmer. In the existing economic order, the farmer's response would depend on the price which he is able to get. In Kerala, particularly, where a large section of the agricultural community depends on

POONA

The Worst Casualties

A T

ALTHOUGH it may be too much to read into the particular context of Poona, the various factors which have caused Hindu-Muslim animus in other parts of India, some of these at least have been at work locally for some time. There has been a spurt in the endowments of sacred cloth at various Muslim *darghas*, and the recent Paigumbardin celebrations saw Muslim youth coming out dressed, for the first time since perhaps 1947, in the typical Muslim skull-cap, green neck-scarf and goatee-beard. At the same time considerable money seems to have been spent recently in setting up new schools and colleges where while the ideology is still separation from the majority community's institutions, the curriculum is definitely more modern than that in the traditional Urdu schools. The newly established Poona College is a case in point. The Shiv Sena in attempting to 'enter' Poona politics has been equally demonstrative. Simultaneously, there has been pressure building up among the second-level Congress workers that the party take a more 'positive' stand against minorities. Certain Congress Corporators have even admitted in private that they had a directive from the state authorities to celebrate Shiv Jayanti on a grand scale and so pre-empt likely Shiv Sena inroads into the Congress's mass support.

The actual chain of events that followed from this trend is by now well known. Trouble began about a month ago when Muslims objected to a Neo-Buddhist wedding procession playing music in front of masjids. Stone throwing ensued and there were some injuries. Tension ran so high that the Poona Peace Committee met with the Commissioner of Police to consider arrangements for the next day's Paigumbardin celebrations. That day, April 16, there

more remunerative commercial crops with the freedom to market its produce and with a support price, if necessary, the expectations of the rice-cultivator are naturally high. This is a conflict between economic realities and the social philosophy of the government which the government would have to reconcile if it wants to bring about any substantial increase in the rice production.

was another incident at the Satranjiwala chowk in which 14 people were injured. On April 20, the Shiv Sena led a counter-demonstration stressing that the citizens had the right to play music on public roads even in front of mosques. On April 22, Bal Thackeray addressed a meeting in Poona and on May 4, the Shiv Sena celebrated Shiv Jayanti with communal slogans and offensive floats.

Trouble was, therefore, expected and it erupted on May 16 at a time when the police force was deployed mainly at the Collector's office in view of the Leftist bandh in protest against the food shortage and the price rise. Some of the Muslim leaders interviewed seemed quite clear that the police had been warned and had failed to take adequate preventive measures. Others hinted that in taking their time to control the situation the police probably had some political backing as well.

In any case, once violence erupted at Chand Tara Masjid in Nanachowdi Chowk, it quickly spread through the predominantly Muslim wards of the city — Nanapeth, Ganjpath, Islamura, etc. Hindu and Muslim leaders who toured the affected areas maintain that, for the next two or three days, these areas were virtually under mob rule. Both sides further agree that the main participants were young people between the ages of 12 and 20; they set fire to and looted houses and shops and fought in the streets with stones and knives. The Hindu youth were organised in the Hind Mata and Azad Mandals, which usually organise the Ganesh festival.

The real casualty figures will probably never be known. It is possible that, in the general confusion, some also saw an opportunity to settle personal scores. However, the net impact on

the city can be gauged less by the count of eight dead or several injured by bullet and stab wounds than by the number, around 1,200, of uprooted Muslim families who sought refuge in the three relief centres set up at the Moledina, Anglo-Urdu, and Badria high schools. Of these, even today there are some 40 families who have nowhere to return to. Both the Hindu and Muslim leaders interviewed appeared to have little faith in the all-party Peace Committee which is reportedly too rent by mutual suspicion and conflicting views to be able to resolve the situation.

It seems evident that to some extent, such trouble may be endemic — recall 1965 — to conditions in Poona. The wards of the city in which the riots took place are areas where the Muslim and neo-Buddhist dwellings are interspersed. The neo-Buddhists — former Hindu untouchables — have their own reasons for being rather aggressive in asserting themselves. Traditionally,

STEEL

Where Has the Money Gone?

(From a Special Correspondent)

THE heavy losses run up by Hindustan Steel (HSL) are only partly due to the inadequacies of production; the major reason for the losses is the investment and profit and loss pattern set for HSL when it was formed in the heydays of Nehru and T T Krishnamachari. It is the impossibility of achieving the profit targets set for it, even had it been able to work to cent per cent rated capacity as fixed for the three steel plants by its designers, which is the compelling reason for the wrong use of funds by HSL.

In the 14 accounting years from 1953 to 1972, HSL set apart around Rs 547 crores as depreciation, according to the balance-sheet and annual report of the company for 1971-72, the latest available. The gross fixed assets are stated to be Rs 1,174 crores. Before depreciation is provided and interest paid, HSL shows a cumulative gross surplus over the years of Rs 542 crores. Once depreciation is provided, there is a marginal loss and after adding interest on long-term government loans the cumulative losses go up to Rs 223 crores at the end of 1971-72.

A lay Member of Parliament reading

both communities were settled on the periphery of the Hindu city; under colonial rule, British and upper class households employed a muslim *khan-sama* (cook) and a Mahar cleaning woman and this proximity of work continues today as the two communities are engaged in the same tin-making, cycle-repairing, tanning and other semi-skilled in artisan jobs. Within this depressed economy the Muslims have a slight edge and enjoy a slightly higher status, being owners of small hotels, panshops, handcars, etc. The neo-Buddhists are more often their employees. There is continuous cause for friction and rivalry. Indeed, one of the neo-Buddhist leaders was reported to have said that, although the general opinion held that the Hindus had 'won' in the riots, in fact it was the neo-Buddhists who now stood to suffer at the hands of their Muslim employers.

Poona reaffirms thus that the worst casualties of any communal riots are the poorest sections of the city.

between Rs 30 and Rs 40 crores, or much less than 10 per cent of the cumulative depreciation amount shown in the balance-sheet.

A defensive explanation by those who are in charge of HSL's affairs is that the value of fixed assets has been "written down" but the assets have not been "run down". The truth, however, is that the HSL plants may be said to have been run down even without going into full production. To illustrate this point, those operating the Rourkela plant, including the present General Manager and his predecessor, who had to go after the steel melting shop roof collapsed in the middle of 1971, have said that the real capacity of the plant after expansion is only 1.4 mn tonnes and not 1.8 mn tonnes as designed by the Central Engineering and Design Bureau. The former General Manager used to head the CEDB and was known at that time to have pressed his colleagues' case that the expansion had been to 1.8 mn tonnes. But after becoming General Manager of Durgapur he changed his tune! And, mind you, in those days both the Rourkela plant and CEDB were part and parcel of HSL. It is only more recently that CEDB has become a separate company under HSL.

In Durgapur, the situation is even worse. For the last seven years the plant has come nowhere near the production capacity of one million tonnes achieved for two consecutive years when it was at the one-million tonnes stage. The Durgapur expansion, also the work of CEDB, was said to be 1.6 mn tonnes, but executives and workers join together in declaring that the capacity after expansion is probably in the range of 1.2 mn tonnes! These two instances make it impossible for this writer, among others, to accept any claims by HSL about the present worth of the plants.

The directive to HSL had been to set apart 5 per cent for depreciation and provide 8 per cent profit on equity. For this purpose, a gross surplus margin was provided amounting to slightly over Rs 150 per tonne of saleable steel on the basis of projected 100 per cent utilisation of capacity. These basic steel prices were fixed in 1962, to be effective retrospectively from the beginning of the financial year 1960.

HSL showed some profit in two financial years. In 1964-65 it showed a profit of Rs 18.5 crores when the production was 3.116 mn tonnes of ingot steel against a total rated capacity of

3 mn tonnes. But even with production in excess capacity, the profit was a rigged up one. More than Rs 40 crores each were provided for depreciation in the years preceding and following, but in 1964-65 the depreciation provision was only about Rs 20 crores. In 1965-66 with production at 3.437 mn tonnes; the profit came down to Rs 1.7 crores. Though depreciation was fully accounted for in the year, there was no increase in payment of interest. The highest surplus before depreciation earned by HSL was about Rs 88 crores in 1970-71. The gross margin came down to Rs 47 crores in 1971-72 and the losses reached a record of Rs 45 crores. The 1972-73 losses are placed around Rs 25 crores.

The Rs 150 per tonne gross margin was, again, on the basis of an imaginary investment of Rs 1,176 per tonne of saleable steel capacity. This block investment figure was mid-way between the investment per tonne of the Indian Iron and Steel Company and that of the Tata Iron and Steel Company. At the one-million-tonne stage, HSL's investment was around Rs 2,800 per tonne of saleable steel; now it has come down to a little less than Rs 2,500 per tonne.

To provide adequately for depreciation and to pay proper returns, the HSL plants should have earned 13 per cent on the capital invested whereas, because of the huge investment, the Rs 150 per tonne surplus represented in reality less than 6 per cent. Setting aside 5 per cent for depreciation, this would have meant a return of 1 per cent, and that too if the plants were working to full capacity. To meet the targets of return set by the government, HSL would have had to earn a gross surplus of nearly Rs 140 crores in 1971-72 on a total trading of around Rs 450 crores! Actually it earned less than Rs 50 crores.

Private sector companies prefer to have a higher ratio of loan capital, while the public sector has a standard one-to-one debt-equity ratio. HSL and other public sector companies which have been losing have been asking for more equity and less of loans. As one of TTK's former colleagues remarked to this writer, the provision of loans meant that the government could be certain of at least the interest. But in the end the government has cheated itself because the interest has been paid out of what should have been retained for proper depreciation and reinvestment.

One of the main problems in planning for steel capacity expansion, which the government cannot afford to ignore, is the fundamental question of the basic prices for steel to be paid to the plants. Jawaharlal Nehru may have talked of the strategic value of steel and the role steel plays in promoting general economic growth and all that. However, his idea of cheap steel has remained an academic concept since the benefit of the low ex-factory price of steel has not been extended to the consumer. It is the middle-men and fabricators who have reaped enormous profits.

New investment on steel plants in this decade is estimated at about Rs 400 crores for 1 mn tonnes of ingot steel or 750,000 tonnes of saleable steel. This price will have to be paid whether the plants are at Visakhapatnam or Vijayanagar or Bhilai or Jamshedpur. The rate works out to some Rs 5,000 per tonne of saleable steel

capacity. The estimates for the Vijayanagar and Visakhapatnam plants expect a loss of Rs 20 crores per million tonnes of ingot steel per year. An addition of 10 mn tonnes of ingot capacity will thus mean an annual loss of Rs 200 crores. Budgetary subsidy to meet these losses is, of course, out of the question and accounting manipulations, like in the HSL, will only mean that the capital invested would gradually be eaten up by losses. One solution would be to make steel products expensive; another, which will fail to work in our mixed-up economy, is not to expect any reasonable return at all from capital invested in steel. The present emphasis on production of high-priced flat products is short-sighted. Already, there is an acute shortage of billets and sections. As already pointed out in these columns ("Thinking Big in Steel", May 10), too much concentration on increasing the production of flats is also socially wasteful in the long run.

FARMERS' CONVENTION

Government May Propose, But...

(From a Special Correspondent)

PERTURBED over the non-availability of power during the electricity workers' strike in the state, a Haryana farmer angrily remarked that every section of the working population, from engineers to sweepers, can go on strike, but the farmers are one section which cannot afford this luxury. Not only will no one compensate the farmer for the lost time, but as nature knows no waiting, the stoppage of work may, depending on the time, mean large losses and in some cases even starvation for the farmer for rest of the year. Almost similar views were expressed by a Ganganagar farmer speaking at the Farmers' Convention organised by the National Tonnage Club of farmers in Delhi from May 13 to 15, which was inaugurated by President Giri. This speaker further said that as farmers do not have any union and they cannot go on strike, they have always received a rough deal at the hands of the government. In his printed welcome address, the secretary of the Tonnage Club also expressed similar feelings when he said: "the sleeping rural giant has awakened from his age-old slumber. The days of government proposing and farmers disposing as obedient children have gone. He [the farmer] is no more

a docile, dumb and obedient child to accept whatever the government says... He has exercised his franchise in four parliamentary and four assembly elections, has used his discretion and has thrown big guns into the dustbin. Government can plan and propose... but they themselves cannot perform. The performance has to come from the farmers... which could not come without experience, conviction and identification." Such identification, he added, could not be achieved unless "the farmer himself is associated with the planning and policy formulation process".

This gathering of farmers, described as "the 3rd All-India Higher Agricultural Production Convention and Seminar on Economic and Social Growth of the Rural Millions", was to discuss issues as wide-ranging as recent developments in agricultural research and their operational aspects for higher farm production; problems of small and marginal farmers and of farmers in tribal and dry areas; rural unemployment and means of gainful employment; social justice and farm productivity; and problems relating to agricultural input supplies pricing and taxation, etc. In fact, however, except for a few short speeches

ECONOMIC AND POLITICAL WEEKLY

on recent research by some invited agricultural scientists on the second day, the deliberations of the seminar were largely confined to issues directly and immediately affecting farmers, such as procurement prices and the food-grain trade take-over, shortages of and irregularities in input supplies, land ceiling and agricultural taxation. Speakers from practically all the major states participated in the discussion. Attendance on the first day was said to be around 3,000 which rapidly declined from the next day, partly because of the disruption caused by heavy dust-storms for two days in Delhi. The biggest contingent, of around 700, came from Maharashtra, a severely drought-affected state. One of the sessions was presided over by the Maharashtra Agriculture Minister, who frequently but vainly tried to tone down successive speakers' allegations against the government.

CENTRAL THEMES

Most of the speeches converged on issues relating to the trade take-over and procurement prices fixed by the government. Here is a small sample of the type of arguments advanced: Some government policies pertaining to farmers, emanating from advisers who know little about the real farming situation, have been very unsympathetic to the farming community; while fixing Rs 76 per quintal as the procurement price for wheat, the government has failed to realise that the HYV, which created an impression of impending self-sufficiency, is highly capital intensive and the high-cost technology, despite high yields, yields very small net margins which get further attenuated once the additional cost of getting the requisite input supplies through the corrupt government machinery is considered; input costs during the last three years have been constantly on the increase, but procurement prices have remained unchanged; even on the university farms in Punjab and Haryana, where expertise and inputs are available in plenty, the cost of wheat cultivation is Rs 110-120 per quintal; the consumer pays Rs 1.50 or more per kilogram of wheat in the open market, whereas the government could have ensured supplies at rates much lower than this even after paying upto Rs 110 per quintal (or Rs 1.10 per kg) as procurement price to the farmers; the government seems to prefer import of foodgrain to paying a slightly higher

price to its own producers on the strange argument that the latter course is against distributive justice; does the government really think that it can "purchase social justice or socialism" with scarce foreign exchange?; why does the government, which is thinking of paying Rs 180 p m or so to its peons, who sit in comfortable office corridors, feel so reluctant to give the toiling farmers their legitimate dues?; the government is free to impose all conceivable taxes and ceiling on land holdings, but let it also undertake that it will ensure timely input supplies and in the event of its failure to do so let it fully compensate the farmers for the consequent losses.

The Agricultural Prices Commission was one of the main targets of criticism at the seminar. The editorial in the March-April issue of the Tonnage Club's *Farm News*, which was distributed to the participants, summarised the farmers' views. A few extracts from it may be of interest: "We feel that the so-called Agricultural Prices Commission is working in a vacuum. It has no directive as to which cost of production and whose cost of production it is to consider. Its decision on pricing is... a political one. The methodology adopted for calculating the cost of production is erroneous and is likely to be misleading." Several factors — among them, the drought, irregular input supplies and diversion of the crash rabi programme funds to non-users — have contributed to low production and raised the cost of cultivation; therefore, "farmers are reasonably justified in demanding Rs 110 per quintal for parting with their wheat". "The administrative stubbornness over its [the APC's] arbitrary fads to deny increase in the purchase price of wheat is a game of the worst kind of blackmail. The threat of... imposition of a levy [on the producer] would be an exercise in systematic harassment of the proverbial 'anna-dada' and would alienate the faith of the toiling masses who have always co-operated with the government efforts."

The convocation ended with a decision to take up the various issues with government efforts."

COST OF PRODUCTION

One may agree or disagree with the above views, some of which may even be dismissed as the stock arguments of the farm lobby. But the whole debate does raise at least a few im-

portant issues. Take, for instance, the much debated issue of consideration of the cost of cultivation while fixing procurement prices. There is probably hardly any product whose cost of production has been so casually treated in price fixation as it has been in the case of foodgrains. For the industries referred to it, the Tariff Commission finds it difficult to ignore even the non-functional or unproductive components of costs while fixing prices. Examples of manufacturers going right up to the Supreme Court over the "cost-price" issue are also known. However, in the case of agricultural products, particularly wheat, practically no one outside Krishi Bhavan knows anything about the manner and measure of weightage given to production costs while fixing procurement prices. The issue is not whether sale of wheat at the rate of Rs 76 per quintal is profitable; it is a much more basic one relating to the whole mechanism of prices fixation and the relative importance to be attached to different ingredients. Unless satisfactory answers are provided to these questions, whatever prices the APC or the government fixes will be suspect in the eyes of the farmers.

WRONG IMAGE

On the question of the weightage assigned to the cost of cultivation in price fixation, both ministers and spokesmen of the APC have generally been found to be evasive or apologetic in discussions. This has created a wrong image of the APC in the farmers' mind. Perhaps the APC is helpless. In the matter of cost of cultivation, it is still to find a reliable and respectable data base. The series of Farm Management Studies, which earned job promotions for many PhDs for some and professional breakthroughs for a few and also yielded vast raw material for prolonged and inconclusive debate, including in the pages of this journal, on farm size and efficiency in Indian agriculture proved miserably inadequate when attempts were made to use them for formulating price policies. To fill this major data gap, a comprehensive cost of cultivation study (using cost accounting methods of data collection for all the major crops for a period of five years) was initiated about three years back in different crop zones. It is said that the project, which has the blessings of the APC, received a setback in the initial stage because of the controversy between the Institute of

Agricultural Research and Statistics (LARS) and the Directorate of Economics and Statistics over its operational command. Now the Directorate is operating the scheme through the Agricultural Universities and a few Agro-Economic Research Centres. Though the scheme is at present in operation in all the states, in terms of output nothing is publicly known. After what interval the data will ultimately be available and how useful they will be are anybody's guess. Hence a long life for the cost-price controversy seems to be ensured.

NO REPRESENTATIVE BODY

The absence of a representative organisation to put forward the problems and viewpoints of genuine farmers is another matter which deserves attention. There have been a few instances in the past of farmers' organisations being formed to look after their interests as farmers. There was the Marwar Kisan Sabha under the leadership of the late Baldev Ram Mirdha in the former was dissolved to provide mass the Gujarat Khedut Mandal led by the late Bhailal Bhai Patel. However, the former was dissolved to provide mass membership for the Congress party which had been non-existent in Rajasthan before Independence. The Gujarat Khedut Mandal too got liquidated when Bhaikaka was persuaded to form the Swatantra party in the state. Kisan forums or labour forums as wings of different political parties may still be found but their objectives are different and they cannot serve as protectors of the exclusive interests of particular occupational groups. Organisations like the Tonnage Club of Farmers or Bharat Krishak Samaj, etc, have tried to fill this vacuum, but they too fall far short of the requirement largely because they tend to become in practice organisations of rich farmers. Central and state ministers, MPs, MLAs, retired Civil and Military Officers and a few neo-rich at village level grace their executives. These organisations are basically clubs of gentlemen or absentee farmers, most of whom have probably never touched a plough in their lives. At best one could consider them as organisations for the farmers but not of the farmers. They cannot claim to know much about the problems of the common farmer. In certain cases, members of these organisations, in their individual capacities, could be the very source of difficulties and problems for the common farmer. Understandably, there-

fore, these organisations cannot speak on behalf of the toiling peasant. But the latter himself is too poor, ignorant and unorganised to be able to effectively present his viewpoint. Thus the political parties or the organisations of the rich are left absolutely free to exploit any issue or situation involving the interests of the farmer without intending to help him in any meaningful way.

Research workers working on rural problems could prove useful instruments in informed policy-making on problems affecting farmers. However, that again is not happening. One reason for this is the lack of clear understanding of the actual situation facing the farmer on the part of our researchers, particularly economists. Some of them are so obsessed with the 'first derivative' and 'second derivative' that realities easily escape their sophisticated models. In fact, nothing has failed more miserably

EXCHANGE RATES

Float in Hindsight

Michael B Cohn

FEBRUARY was chaotic for the monetary situation. The key interest rate for six-month Eurodollars was 9.25 per cent — up 2.50 per cent — while that for the Euromark fluctuated between — 1 per cent and — 3 per cent. That is, speculators were paying interest to obtain the stronger West German currency. In order to maintain fixed exchange rates against the twice-devalued dollar, European governments faced waves of dollar selling and were forced to close their money markets.

PREVENT TRADING FROM BECOMING TOO ERRATIC

To prevent trading from becoming too erratic, the Federal Reserve Board of the US had sold approximately \$320 million German marks in February and the end of January. This was done in an effort to slow down the spiralling value of the mark. In spite of this action, the mark rose from 31.25 ¢ to 36.50 ¢ from the first of the year until the beginning of March.

The nine members of the European Community (France, Italy, Luxembourg, Netherlands, Belgium, Britain, Ireland, Denmark, and West Germany) had agreed to close their money markets to

than mathematical models in Indian planning. Yet another set of economists who do not play with tools but with phrases and jargon are equally ineffective. Describing the agricultural situation in terms of kulaks versus the rest is one example which betrays their imperfect understanding. The Indian big farmer is certainly not a parallel of the Russian kulak. Other differences apart, the relationship of this class with the ruling party and the government in the two situations make them qualitatively the opposite of each other. The Bolsheviks coerced and crushed the kulaks, whereas the Indian establishment has always nursed and pampered them. Any why not? After all, they cover the largest number of pages in the "Who Is Who in Parliament". That, of course, does not prevent our social scientists from making facile comparisons and using misleading categories.

avoid another monetary crisis. American, Japanese, Swedish, Swiss, Canadian, and Norwegian economists were invited to a meeting in Paris March 9. Prior to the meeting, the only foreign currency transactions that took place were those in which banks traded among themselves in order to satisfy customer demands.

IRONICAL

United States' Secretary of the Treasury, George P. Schultz, Arthur Burns, Chairman of the Federal Reserve Board, and Paul Volcker, Under Secretary of the Treasury for Monetary Affairs, attended the conference in Paris. Pierre-Paul Schweitzer, Managing Director of the International Money Fund, was a key man in setting up the Paris meeting which was to negate the fixed rate system. The irony of fate is that the International Monetary Fund represents the orthodoxy of a fixed exchange rate system. But the need for reform had become acute when, on the first day in March, \$2.7 billion flowed into Germany. Chances were that the Common Market Countries would link their nine currencies and float them against the dollar; it was hoped this

would prevent the inflow of inflationary dollars.

Wide fluctuations in the foreign exchange markets were considered a factor in the decline of world trade during the depression years of the 'thirties. In order to prevent such circumstances from recurring, in 1944 a system of fixed exchange rates was initiated at Bretton Woods, New Hampshire. When the dollar was devalued, the Bretton Woods system ended.

The participating countries of the March 9 meeting were expected to use the meeting as an opportunity to persuade the United States to support the dollar in the world's financial markets. In order to aid the United States, the Common Market seemed ready to lend funds to the US. If the US would bow to pressure from the Common Market, it would provide massive intervention to absorb the excess dollars, and there might not be the need for a joint European float. It was expected that the United States would be requested to cut back on the flow of dollars into Europe whether or not there would be a float.

In the interim, the price of gold had been high. In the week before the dollar flow into Germany, the price of gold passed \$90.00 an ounce, and then went back to the \$80.00 range; on March 6, it was \$83.00 an ounce. It was speculated that the United States had been consulting with Japan and various European countries about the possibility of instituting an international reserve to be used to keep down the price of gold. Perhaps this would be a prerequisite for US support of the dollar. The reserve could be made up of the profits that various countries had gained by the dollar devaluation, which increased the value of their gold stock by raising the gold price to \$42.22 an ounce. The United States could benefit from the proposed system, as the US wishes to see the role of gold diminished in future monetary systems.

OWN INTEREST

Each participating country had its own interests to consider as the finance ministers convened. Before the meeting, Paul Volcker indicated to Congress that the United States would resist demands to defend the dollar exchange rate by intervening in foreign markets. But he did not rule out such possibilities.

The French approach to the meeting was to try to protect against future trade losses; thus France would oppose any increased value of the franc vis-à-vis the

dollar. France feels the dollar's woes are a purely American problem which America alone should solve.

West Germany was determined not to accept any more dollars which would aggravate its inflation problem. West Germany was willing to float the mark in an effort to stem the constant dollar inflow, but, in order to preserve unity, wanted this move tied to other Common Market currencies. Germany was not inclined to request much from the United States, for it is to Germany's advantage that the United States maintains troops within her borders.

Great Britain wanted the freedom to set a new rate for the pound; at the present time Britain is satisfied that the pound floats independently. Its domestic, social and economic problems make it apprehensive about joining in unified action.

Japan hoped there would be a Common Market float, since it would relieve the pressure on the yen. Japan did not want the yen to appreciate too much against the European currencies, for Japan views Europe as a major competitor in world trade.

Basically, the Europeans were trying to keep out waves of dollars and simultaneously to maintain their exports by restricting the rise in their currencies. Various solutions had been offered — one of them that US capital outflow should be taxed. This would help curb the dollar flow, and in the process add to foreign revenue. A tax could also be placed on goods exported by America.

JOINT FLOAT

On March 12, 1973, France, Netherlands, Belgium, Luxembourg, Denmark, and West Germany, agreed on a joint float. These currencies were allowed to float against others, but would maintain a fixed relation among themselves, allowing for a 2.25 per cent margin. The national central banks of the various countries would maintain the system by intervention when necessary. Within a year, the system would be institutionalised further by establishing a central pool of reserves for currency intervention. Such a pool could be conducive to pulling together the economic policies of Europe so as to form a more united monetary union.

Germany also revalued the mark — up 3 per cent. For Germany, the float and upward revaluation will be a much wanted damper on the inflationary boom. Its export-oriented industry will now be at a disadvantage on the world

market; It is these industries which have contributed to Germany's inflation.

Britain (with Ireland) and Italy are continuing their independent float; they are staying out of the combined float because of their financial weakness. It would be senseless to have the flow of dollars replaced by a flow of English pounds or of Italian liras. Britain, Italy and Ireland hope to join the float at some later date.

It is anticipated that those countries not in the Common Market — viz, Switzerland, Austria, Sweden, and Norway — would associate with the float.

In the joint float, all six currencies would move up or down against the dollar. Since the dollar had been so weak, it would probably fall against the combined six. After two devaluations in less than 18 months, a further fall of the dollar is an unpleasant prospect; it could lead to an increased loss of confidence in the dollar, provoking Europeans to raise barriers against US goods. Although the lower priced dollar would make American exports more attractive price-wise, the detriment might outweigh the benefit.

On March 13, 1973, the dollar was strong and gold prices fell. A report, which was later denied, claimed that the price of gold dropped to \$75.50 per ounce, and later rose to \$80.50. The dollar was quoted at 2.81 marks — up from 2.80 the day before. Speculators were now buying dollars to replace those they had lent to invest in more secure currencies. The increased dollar value is merely technical, and it is too early to give any clear indication as to whether a successful monetary reform had been reached. However, if this was an indication of what would follow, things may be said to be looking up for the Americans.

The three Benelux countries—Belgium, Netherlands, and Luxembourg—have agreed to keep the parities of their currencies. Austria, on the other hand, followed West Germany, choosing to up-value the shilling by 2.25 per cent. This meant that the dollar would now be traded for 20.30 shillings, rather than at the old rate of 20.97 shillings.

ALONG THE LINES OF THE CANADIAN DOLLAR

It was hoped by analysts that the floating monetary situation would relieve the vast fluctuations and that the currencies would show a slow increase or decrease in value, reflecting their respective economics — hopefully along

the lines of the Canadian dollar. Canada has floated her dollar for almost 25 years, and has achieved stability by necessary intervention in the money market by the Canadian central bank. By locking their exchange rates together, the six European countries are attempting to keep fixed rates for internal trade among themselves, although other factors, such as the rate of inflation, can differ from country to country.

On March 16, 1973, the financial ministers had their second financial meeting. Their plans were to let the flows of currency fluctuate together, although there would be intervention to keep up their values.

It was said that George Schultz, US Treasury Secretary, had committed the United States to use existing 'swap' arrangements to keep up the dollar prices. This means that more than \$11 billion worth of foreign currency would be available for loan by the Federal Reserve of the US to be used in the money market. It is not known when the present US administration would deem it necessary to take such action. The announcement that the United States was willing to try supporting the dollar was contained in a vague four-and-a-half-page communique. It stated that the United States Government was considering removing inhibitions of the flow of capital into the country. One possibility was to lower reserve requirements on funds borrowed from abroad, in order to check capital outflows, the Federal Reserve, requires its member banks to have 20 per cent reserve for such funds.

When the exchange markets first opened with the new float, the German mark took a drop, while a weaker currency — the Swedish kröner — took the mark's place as being on the top of the band of European currencies. To counter this trend, the German central bank began to buy marks for Swedish kroner. The action was temporary, but it illustrated the operations involved in maintaining the float. The weakness of the system lies in its vulnerability to internal pressures; if too large a flow of funds among the involved countries were to take place in one direction, it could create serious problems.

Now that the float is in effect, West Germany is the monetary leader in Europe. It had \$23.4 billion in reserves before the dollar inflows; since then, it is likely it has more than \$30 billion. A new monetary system in Europe would most likely be based on the mark. Great Britain, on the other hand, is

the weakest of those in Europe. The government is struggling to control inflation and has only \$5.6 billion in reserves.

Japan is the leading monetary power of the East. It has monetary reserves of approximately \$20 billion, and had a current account surplus of \$6.3 billion in 1972. Chances are that it will have another surplus this year, though smaller than in 1972.

The Paris conference was primarily a meeting of minds between the Americans and the Europeans, with Japan's Finance Minister Aichi and Governor Sasaki of the Bank of Japan sitting on the sidelines; but this will not diminish the effect on the Japanese economy.

The float will be one factor that will rob the Japanese economy of some of its growth. Japan's real GNP is predicted to have an 8 per cent or 9 per cent growth rate for 1973 — far below the 15 per cent annual increase enjoyed in the fourth quarter of 1972. The damper is, of course, in the export demand sector, but the internal economy is expected to continue to have strong growth.

A major part of Japan's imports are raw materials, so that some sectors of the economy will gain from the float; for, imports will now be cheaper. Industries such as oil refining stand to gain. The shipping industry, however, may be especially hard-hit — freight rates being in dollars; the higher rates would force shippers to other vessels. Some officers in the Economic Planning Agency are concerned about a possible revaluation of the yen in 1974. They are considering programmes, such as granting the Prime Minister the power to levy selective taxes on exports, to lower or raise tariff charges, and to remove controls on imports and capital movements. The task ahead for the Japanese is to direct their economic growth into less export-oriented sectors, to reduce the trade surplus, to raise welfare and internal social-economic levels, and to expand the domestic market.

POTENTIAL THIRD MARKET

The international monetary situation has split the international money markets — into the dollar area and the European bloc; the yen is a potential third market.

The Paris meeting changed the United States' position from that of a strong nation with a strong currency to a national power trying to defend its currency. The United States had reserves of \$13.2 billion at the begin-

ning of the year. In 1972 it had a deficit of \$8.5 billion (on current account), and it faces another deficit in 1973 unless drastic steps are taken to keep a bad situation from getting worse.

But the United States has to realise that it is not as independent as it once was. The dollar is as mutable as other currencies; when the dollar liquidity is in excess of its demand, the exchange rate becomes unstable.

The United States will have to make every effort to form a tight monetary policy in order to restrict any increase in the rate of inflation. The stress has to be on expanding export-oriented industry and improving the balance of trade. Efforts will have to be made to control the dollar outflow and the US's foreign expenses — such as maintaining troops in Europe. If co-operation with the European community can be successfully conducted to help control monetary crises, surely enough political co-operation could be achieved so that the United States can withdraw its troops from Europe. If appropriate steps are taken, a united American-European community could contribute not only to monetary but also to political stability.

Although on May 16 the price of gold rose about \$110 an ounce in London, generally since the float the international monetary scene has been relatively quiet; but the problem of avoiding another crisis persists. The job at hand is to design a new monetary system; this job has been assigned to the Committee of Twenty — a group made up of the major nations along with some smaller countries, in the International Monetary Fund. To do this properly, the Committee will have to find a successful solution to the problems of:

- (1) Correcting future external disequilibrium without long delays. This could be done if a proper and flexible exchange rate system is established.
- (2) Maintaining growth in the international liquidity pool to allow for the growing volume of trade.
- (3) Determining what should be the role of floating exchange rates, reserve currencies, special drawing rights, and composition of reserve assets.
- (4) Reducing the effects of speculators in the international money market without hindering the legitimate capital flows of international commercial transactions.
- (5) Securing the co-operation of many nations working toward various individual goals.

LAOS

Life in Sam Neua Province

Harish Chandola

SAM Neua province has been the base of the Laotian revolution for over 20 years. It was completely liberated from French colonial rule in 1953. At the Geneva Conference on Indochina in 1954, it was decided that the Laotian patriotic forces should regroup themselves in one area and the French troops in Laos in another, to disentangle the two sides. The Lao forces fighting all over in their country against the French were asked to regroup in Sam Neua, because it was completely free of French control. Since then Sam Neua has been the headquarters of the Lao Patriotic Front, whose Central Committee members spend much time in this province to meet each other and confer and plan strategies both for winning the war and developing the country.

The province has high mountains and thick forests and many streams. Three-fourths of it borders Vietnam: in the east lies Thanh Hoa, north Son La and south-east Nge An, all provinces of North Vietnam. To its south is the Laotian province of Xieng Khouang and to the west Luang Prabang, in both of which war was raging till the end of February this year. It is inhabited by three nationalities: Lao Lung (the majority Lao people), the Lao Sung (Meo) and the Lao Thung, (Kha). Its area is 1,500 square kilometres and population 154,331, who used to live in 117 villages and 1,193 hamlets (at present all of them live in caves).

After the Geneva Agreement was sabotaged by Lao rightists in 1960, and the Lao Patriotic Front leaders in the coalition Government detained in Vientiane, it was again Sam Neua province which launched the struggle against the US backed rightists. The US began bombing Sam Neua province on May 18, 1964 and continued to do so until February 22, this year. The first to be hit by US bombs were Xala Ban hamlet and Xhaloi village in Sam Neua district. In that first bombing raid 39 villagers were killed and wounded and 35 houses, 19 tons of rice, 72 buffaloes and cows and 12 hectares of cultivated land were destroyed. From May 18, 1964 to July 29, 1970 (the figures after this date have not been compiled yet), the US launched 19,611 sorties consisting of 44,151 planes over this province, which dropped 425,850 bombs, equal to 84,251 tons. Each square kilometre of Sam Neua received on the average six tons of bombs or 500 kilograms of bombs per

head of Sam Neua's population. Casualties were fairly high: 542 persons killed, mostly women, children and old people, 667 wounded, 9,382 dwelling houses destroyed, 8,282 buffaloes, cows and horses dead, 472 hectares of cultivated land laid waste, 998 warehouses containing 1,506,230 kilograms of rice burnt, 295 hamlets, with 47 pagodas, 1,864 Buddha images and 2,441 Buddhist texts destroyed.

The purpose of such barbarous bombing of villages was to turn the people into refugees and force them to seek shelter in camps set up by the US under the flag of the Vientiane Government. The attempt was to put into reverse action the Mao dictum about the relationship between the guerillas and the people: that the guerillas are the fish and the people the water, their life-giving environment. By bombing the villages, the US wanted to "draw the water out and let the fish die". But the US did not succeed in drawing the water out. Most people went to live in caves after their homes were bombed.

I visited a group of caves where hundreds of villagers were living, and talked to them. The villagers said: "Not content with the bombing, the US sent bandits and spies [by bandits they meant Meo and Thai mercenaries] into our province to create disorder. They killed and captured many villagers and tried to create division among us on the basis of nationalities and religion. But we successfully defended our province and the spies and bandits could not set up even a single post in it."

"From May 18, 1964 to July 29, 1970, we put out of action 3,563 enemy troops, out of which 1,651 were killed, 700 wounded and 1,217 captured. We in this province also shot down 258 US planes. On July 16, 1970, the 1,500th US plane was shot down over Laos, and it was brought down by the people of Sam Neua. We also captured 1,723 guns."

"All our people here cherish peace and want a peaceful settlement of the Laos problem. Nobody wants to prolong the war. But the US and its Vientiane puppets do not abandon their aggressive schemes."

"While fighting, we continued to reconstruct our country, consolidate our economy and raise the living standard of our people. We constructed new irri-

gation channels and now in many districts of Sam Neua province two crops of rice are raised yearly and production has been increased. Of the variety of rice harvested in October, in the past from one kilogram of seed we used to get 40 to 45 kilograms of rice, but now we get 50 to 60 kilograms of rice. The five-month rice was not grown in Laos before, but now, after it was introduced, one kilogram of seed gives us 18 to 20 kilograms of rice."

"We have established several industrial units during this period in our province. We now have a textile mill, a foundry which turns out agricultural implements and a biscuit factory."

"Trade between the people and the government has also developed. We now have 24 state shops, 15 of them in villages (in caves)."

"The province now has 1,155 primary schools, with 20,216 pupils, 26 secondary schools with 820 pupils and one high school with 88 students. Besides, there are five schools for minorities with 181 students and four spare-time schools for cadres. Every hamlet has a night school."

"Attention has been paid to providing medical facilities to the people. There are now 13 hospitals in the province with 255 beds and 62 clinics with 220 beds."

"The province has six mobile teams to stage cinema shows. It has one team of full-time actors and actresses which travels and stages plays and other shows. There are other teams of artistes, made up of peasants, which stage shows in their own areas."

I then went into a cave where the people of an entire village were living. An open platform had been built on a ledge at the entrance for the villagers to take in the natural light. Children and the old were sitting on that platform on stone benches hewn out of large rocks and enjoying the last rays of the day's light. A rock path led one inside the cave, where it became a sunken passage between two elevated platforms on either side of it. On the platform on the left a number of fires were lit, over which the villagers were cooking their evening meal. There were soot-blackened pots bubbling over iron tripods placed over the fires. On the platform on the right, bedding had been spread on flat stone-slabs, but nobody was asleep. From the roof, from stone pegs, hung cloth hampers containing the belongings of the inhabitants. There was no electricity here, but the log fires did their best to dispel the darkness. Smoke filled the entrance at that hour and the rock walls were black.

I was offered a stone stool and somebody offered to take his bubbling pot

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off the fire to boil some tea for me. I had to decline the kind offer because I had a long way to go to the Central Zone where I was staying and it was getting late.

"Do you find the caves gloomy?" I asked the villager who had offered me the stone stool. "Yes", he said, "when we think of our villages in the open. But here we are safe. We do, however, have an accident or two inside. Recently, the US planes dropped bombs on this mountain. They loosened a large rock inside the cave, which fell on a 65-year-old woman, sitting just where you are, and killed her on the spot."

I was then led further inside the cave. It was absolutely dark there. Some villagers had flashlights and in their beams I could see the cave divid-

ed into two tunnels, at a 60 degree angle from one another. Inside the tunnels there was only bedding and some belongings in hampers.

I followed a tunnel and after a stretch of laid out bedding it degenerated into a narrow cove which one could enter only by crouching. There, too, a few rags were spread for someone to sleep on. It was hard to imagine that children grew up in these miserable, confined and suffocating spaces. Did they ever play, I wondered? These people forced to live here, came from very open and vast spaces on the mountains. In Laos there are only three million people in an area of 91,000 square miles. But in these caves the population density was, perhaps, the highest in the world.

ECONOMIC AND POLITICAL WEEKLY

explanations, in terms of gross returns or weather factors affecting performance of the crops, which are more in the nature of hunches. It is further shown that Tamil Nadu's contribution to the all-India production of the five crops under consideration has declined during the last 15 to 18 years. The reason given for this decline is the slow growth of area under these crops (p 20). As the scope for increasing the acreage under these crops is limited, the output according to the authors can be increased by raising the yield through use of the high-yielding varieties of these crops. This would raise the yield per hectare by 100 to 200 per cent (p 20). This is greatly encouraging. Those who care about the dry farming areas would be further pleased (only to be disappointed later) to read the relative economics of the traditional and high-yielding varieties of the five dry crops in Tamil Nadu. The per hectare yields of traditional and HYVs of the five crops are as follows. Sorghum 550 and 1500 kg, Pearl millet 600 and 2000 kg; ragi 800 and 1500 kg; groundnut 620 and 950 kg; cotton 450 and 1000 kg.

The cost of production per hectare is higher in the case of the HYVs of dry crops, but owing to higher yields, the cost per kg of the products is lower. The net returns per hectare from the five dry crops under HYV are much higher than those from the traditional varieties. They are 6.8 times, 4.1 times, 4.7 times, 2.2 times and 4.6 times the return from the traditional varieties in the case of sorghum, pearl millet, ragi, groundnut and cotton, respectively (p 67).

However, disappointment follows once one looks into the details of the cost-return calculations. For the traditional varieties, cost details — which not only exclude the family labour but also all owner-supplied materials, interest charges, depreciation and rental value of land, etc, from the cost calculations — have been taken from the cost of cultivation survey conducted in all the districts by the state Directorate of Economics and Statistics during 1966-67. The returns are also calculated on the basis of yield and price data received from the Directorate. The aggregate state averages are presented for comparison with the corresponding details of HYVs of dry crops. But there is no meaningful base for the comparison. Cost calculations of HYVs relate to no farming situation. Instead, they are based on the "package of practices" recommended by the Directorate of Agriculture. Regarding the yields, no source of data is clearly mentioned (p 66), yet

they seem to be based on the results of experimental or demonstration farms. It is well known that, owing to the uncomparable situations (in terms of availability of expertise and supply of inputs etc), the experimental results can hardly indicate the actual performance of new crops on the farmer's field. The authors compare the performance of the ideal situation of HYVs on experimental farms with the state average of the performance of traditional varieties. This comparison is not very appropriate. The gap between the performance of two varieties thus gets inflated in the process. This is a crucial limitation of the results presented by the authors, and it reduces the utility of the study to both the policy-makers and the farmers.

The authors would have done a big service had they attempted a critical economic evaluation of the performance of HYVs for dry areas. In fact, the economic evaluation of results from biological researches is one of the neglected aspects in our whole research system pertaining to agriculture. With the help of a proper accounting system, it should probably be possible to work out the implications of the new varieties even before their commercial release. The number of so-called 'first generation' and 'second generation' problems of changes caused by new crops could also be anticipated well in advance.

However, the authors, unmindful of the limitations of their results, go ahead with their recommendations for covering all the 37,95,000 hectares of dry land in the state with HYVs of dry crops in a 15-year perspective plan; for creation of the Tamil Nadu Dry Farming Authority to plan, promote, and execute the programme — a body similar to the several other 'authorities', 'commissions', 'corporations' or 'agencies' currently proliferating in the country for all conceivable purposes; and for revitalising the co-operatives to help the programme.

The proposed dry farming programme, according to the authors, has two "major pre-requisites", viz, adequate credit and proper marketing arrangements. On an average, the HYV crops would require an additional Rs 200 as cost of cultivation per hectare; but institutional credit is not readily available to dry farmers (of course, no evidence to that effect is mentioned). Similarly, increased production of dry crops would create problems of marketing.

The authors devote considerable space to both credit and marketing problems of agriculture in the state. A number of tables have been reproduced from RBI surveys and other studies to

make their point. But throughout, the discussion pertains to the credit and marketing problems *vis-a-vis* agriculture in general. There is practically no discussion of the institutional problems which are specific to dry farming. No doubt, the co-operative or collective approach is inevitable once conservation measures on catchment or watershed basis, as integral parts of dry farming, are undertaken. However, the authors do not even mention such problems.

Further, as the experience of HYVs in well-watered areas have shown, once high returns are assured, the farmers would seldom wait for the creation of official institutions. The major problems which have hindered the progress of HYV crops in irrigated areas are the scarcities of crucial inputs such as fertilisers. Till the shortage of basic inputs persists, it is doubtful whether widespread adoption of HYVs (for dry or wet areas) would be possible. The persistent scarcity of crucial inputs tends to inject an element of inter-crop (or inter-area) competition for scarce resources which, in turn, affects both the farmers' and the nation's priorities *vis-a-vis* dry crops or dry areas. The diversion of the nation's scarce resources to regions with better production potential the diversion of regional resources to more productive areas, and the diversion of farm-level resources to more paying crops, have been important features of the resource allocation in

the country. Appropriateness of the institutions for credit or marketing (discussed at length by the authors) is of secondary importance. In fact, these institutions only subserve the pre-determined allocation pattern.

Thus the major problem relating to the success of the HYVs of dry crops, which involve higher input cost and greater dependence on scarce and purchased inputs, is their relative economics *vis-a-vis* other high-value crops rather than their own traditional varieties. This is more so where the 'non-dry crops' constitute the major portion of the total crop enterprise. Not only farmers' priorities but also effective public support for allocation of scarce resources to dry areas or crops, would be determined by the comparative advantages which enterprises in dry regions can command. But this is yet to be established. May be, a real breakthrough in dry farming technology could ensure this. The limited evidence there is suggests that new crops like sunflower would probably fill the gap. In the immediate future, the continuation of the price anomaly — coarse grains commanding much higher prices than superior cereals like wheat — created by the partial takeover of foodgrain trade may probably tilt the balance at the farm level, in the favour of some of the major crops of the dry areas, like Pearl millet and sorghum.

REVIEW

A Matter of Allocation

N S Jodha

Economics of Dry Farming in Tamil Nadu by R K Sampath and Jayalakshmi Ganesan; Sangam Publishers (for Madras Institute of Development Studies); Madras, 1972; pp viii + 123; Rs 12.

"DRY farming and co-operatives in Tamil Nadu" would have been a more appropriate title of the book under review, as credit and marketing co-operatives (and other institutions) not only account for nearly half of the effective text of the book but constitute the major part of the discussion pertaining to policy prescriptions given by the authors. This could be partly because of the not wholly tenable assumption of the study that "the breakthrough in dry farming is currently being held up by economic and institutional factors and not by the level and availability of its technology" (p 1).

By dry farming technology one would understand a two-way adaptation process for raising production from low rainfed agriculture, where, on the one hand, the crop species are made to adapt to the adverse climatic conditions (through injecting drought resistance or high-yielding characteristics under moisture strain) and, on the other, the climatic factors (particularly the effective moisture-availability) are adapted to the plant species (through several conservation measures) so that the severity of climatic conditions are moderated to permit proper plant growth.

However, the focus of the present study is partially on the former aspect of the adaptation process.

The study deals with five major dry crops in Tamil Nadu viz, Chulam (Sorghum vulgare), Cumbu (Pearl millet) ragi, groundnut and cotton. They are considered dry crops because the extent of unirrigated area constituted between 72 to 90 per cent of total acreage under these crops (except ragi) in the state. These crops jointly accounted for 38.4 per cent of the total cropped area in the state. Of course, this proportion varied from district to district. A detailed discussion of the growth of these dry crops (their acreage, production, and yield) during 1950-1970 for the state as a whole has been attempted in chapter 2, supplemented by 30 pages of graphs and tables. While Chulam has shown very marginal growth in area, production, and productivity, the ragi crop's acreage and production (despite increase in yield) has declined in the state. The area and production of groundnut has increased, but its yield has declined. This feature of the groundnut crop is observed in other areas, too, such as Gujarat. Cotton, despite fluctuations, has shown growth in area, production, and yield. The authors seek

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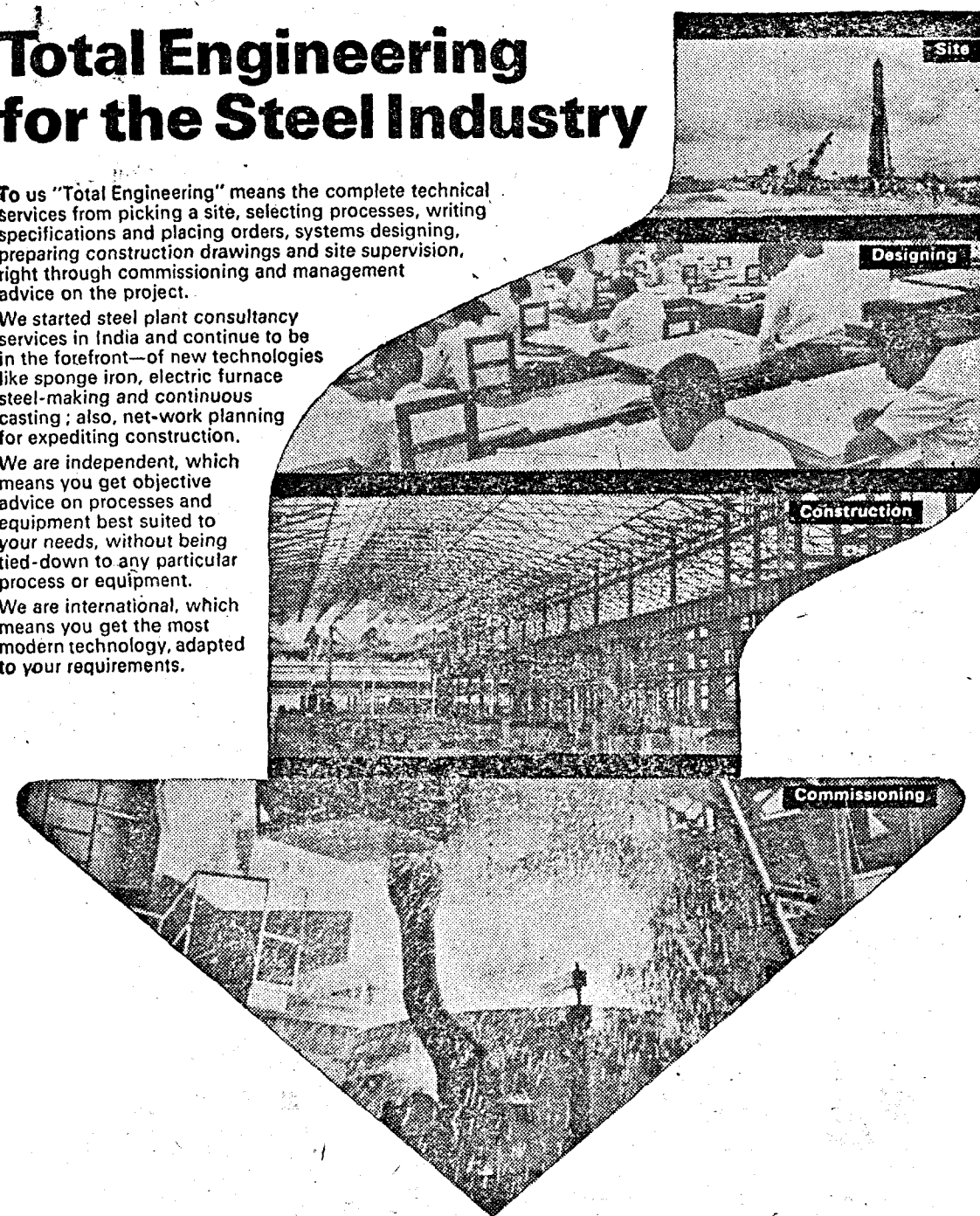
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MANAGEMENT

June 1973

Project Appraisal: Cost Benefit Analysis

J N Tewari

Maintenance Engineering

B V Chitnis

Indian Industrial Worker

Baldev R Sharma

Development Finance Companies

William Diamond

Ravi Gulhati

Industrial Concentration by Managing Agency System

Arabinda Ghosh

Review of Management is published four times a year, on the last Saturday of February, May, August and November.

Manuscripts intended for publication should reach the Editor at least six weeks ahead of the date of publication.

Paper Plans

THE Ministry of Commerce is reported to be busy preparing a ten-year perspective plan for the export sector so as to reach an export target of Rs 8,000 crores by 1980. The Ministry's efforts in this direction appear to have been spurred by the supposedly phenomenal growth in exports of over 20 per cent in 1972-73. The projected perspective plan is evidently based on the assumption that this achievement will be capable of being duplicated every year between now and the end of the decade. The cabinet sub-committee on industry and trade has decided to set up an expert group not only to suggest an overall export promotion strategy but also to identify the specific constraints hindering rapid growth of exports and to recommend measures to remove them. The sub-committee is said to have gone into issues of industrial licensing, supply of raw materials and creation of the necessary infrastructure for export industries. According to the sub-committee, if Japan could raise its exports from \$5 billion in 1963 to nearly \$28 billion by 1972, there was no reason why India could not achieve an export growth rate of 20 per cent over the next seven years.

Against the background of the actual performance of the export sector in the last two decades, the first reaction to the Ministry of Commerce's perspective plan is one of incredulity. The supposed 21 per cent growth of exports last year, it has been pointed out in these columns, was the result of a number of special and non-repetitive factors and that the real growth of exports in the year was perhaps around 5 per cent ("Exports: Illusion and Reality", May 5, pp 814-5). After all, the Third Plan's modest export target of 5 per cent per annum could not be achieved and in the Fourth Plan again the annual rate of growth of exports is likely to be below 5 per cent, against the target of 7 per cent.

Even if one were determined not to allow oneself to be unduly influenced by past trends in exports, the specific measures being contemplated by the government to achieve its ambitious export programme are not such as to encourage an excess of enthusiasm. First, an attempt is proposed to be made to identify items of high export potential so that their production and export could be increased. A reading of the annual reports of the Ministry of Commerce for the last few years would be instructive in this context. Year after year these reports have been repeating, in almost identical phrases and sentences, that the Ministries of Commerce and Industrial Development are engaged in drawing up concrete export production plans and that, to begin with, some 20 product lines had been identified. We have also been told year after year that working groups were being set up to identify further products with export potential, to estimate demand, to identify gaps in existing capacity, and so on. Yet for three years or so little progress has been made in translating all this preparatory work into actual export growth. We are also told that the views of exporters would be sought by the government in formulating export plans. This, again, the government has been doing for long through the board of trade, the various export promotion councils, commodity boards, etc. But the primary interest of these bodies has been quite often in things other than expansion of exports. Export promotion councils, for instance, spend most of their time in lobbying for more and more export incentives rather in promoting exports.

Above all, what needs to be realised, however, is that the scale and boldness of the export plans cannot be very independent of the scale and boldness of the overall development plan. Yet the tendency is gaining ground to aim at achieving sectoral objectives — for instance, enlargement of employment opportunities or expansion of exports — through tinkering with the pattern of investment irrespective of its overall level. Thus to create more employment it is recommended that more investment should go to housing or road-building or other activities which are deemed to have a high employment potential. Similarly, for more exports it is considered sufficient that more investment be made in activities which supposedly have a high export potential. Apart from all their other infirmities, such partial approaches to employment creation or export promotion evade altogether the question whether the desirable reallocation of investment is at all feasible given the overall level of investment in the economy. How relevant Japan's experience in the field of exports is to a country like India may be a moot question, but one lesson is readily available to be learnt from Japan: No economy with an investment level of around 10 per cent of national income and an average growth rate of national income of 3 per cent or thereabouts per annum is likely to be blessed with a sustained export growth of 20 per cent per year or anything even remotely approaching it.

Problems and Possibilities of Project Appraisal

Cost Benefit Analysis in Fifth Plan Approach

J N Tewari

An attempt is made in this note to give a broad review of the type of problems which have to be faced if appraisal of projects for inclusion in the Plan is to be done by scientific benefit/cost analysis. The intention is to bring out how the methodological problems become more acute with the present focus and orientation of the Fifth Plan Approach.

There is brief discussion on the social discount rate, on the assumptions behind the NPV and the IRR method; on the two manuals — OECD and UNIDO — from practical angle on presentation of data in the detailed project reports; and on identification of common biases in the DPRs. A study of divergences in the benefits/costs from projects which are in the production stage against what was envisaged in the project reports, is recommended to help feedback from Appraisal Wing to Plan Formulation Wing.

THE approach document to the Fifth Plan emphasises certain directional changes in the objectives of planning; the emphasis on minimum consumption needs, the distinction of 'below the poverty line' and 'above the poverty line', the stress on redistribution, the employment orientation, the regional balance consideration, and finally the zero net foreign aid — each objective, significant in itself, has to be enmeshed in the fabric of the Plan from the angle of consistency, efficiency, and equity not only at the aggregate macro level but at the multi-levels of region, state, districts, with conscious spatial analysis. The implication of this approach for project appraisal work in the Planning Commission and on the techniques to be adopted deserve consideration. It highlights the need of objective function with multiple objectives — aggregate consumption (or growth), regional balance, sectional distribution (poor, non-poor), self-reliance. The 'weights' to be assigned to the different objectives will have to be determined and quantified; this is a difficult task and very often left attempted in the 'social cost benefit' exercises. The task is made more difficult by the subtle but very real problem that some at the top in decision-making deem it better not to reveal the objectives and their relative priorities, and prefer to leave them vague. Even if this problem were to be solved, the question of differences in the 'national' objective function and the 'state' objective functions remains as also of how they are made uniform in the planning exercise through the iterative process. The further question is how acceptability by the state governments is achieved.

The current practice usually is to confine the exercise to the first objective and go from 'private' costs/benefits to 'social' costs/benefits, using accounting prices which are thought to measure better the so-called true scarcities — in

the case of labour, foreign exchange, capital. The premium on benefits — because of regional balance considerations and because of employment objective — are really not measured. A project in a 'backward' area may be given financial subsidy or incentive to enable its start, but in the calculations the degree of backwardness is not taken into account (neither by the income per capita criterion nor by the consumer expenditure per capita criterion data for which could be available through the NSS). Under the heading of 'indirect benefits' one may find a qualitative description but no precise allowance made in the calculations to help decision-making. The gap in the 'appraisal practice' and the 'proclaimed Plan objectives' needs to be bridged, and this step becomes increasingly important with the present emphasis in the approach paper.

SUITABLE LOCATIONS NECESSARY

One of the increasingly important functions of cost/benefit analysis in multi-level planning is to decide the most suitable locations for the projects; this has become necessary in order to reduce, if not eliminate, political pulls and pressures for 'grabbing' projects. Alternative sites, say A, B, C, for a specific project X will have to be evaluated on the social cost/benefit criterion as competing projects. And in this exercise one has to take cognisance of the linked projects, which often are not fully brought into the analytical framework. For illustration, a fisheries co-operative project (consisting of larger mechanised trawlers to catch prawns for export and a chilling plant) at Ratnagiri without harbour facilities, has to be evaluated in terms of the incremental benefit from the fisheries project ('with' minus 'without' the fisheries project); but if a harbour project is simultaneously, though independently,

visualised, and if in the course of development the catches per year per fisherman are expected to rise faster with larger trawlers than with smaller boats because of harbour facilities, then it would be desirable to get a 'with' and 'without' fisheries project picture for the two situations: 'with' and 'without' fishing harbour — thus giving data classification under four cells. The fisheries project also serves as an illustration for another category of linked projects. The size of a chilling plant at Ratnagiri can be thought of from the angle of catches in this project at Ratnagiri only, or alternatively, to serve the purpose of another fisheries project also, say, 100 km down in the same coast at Malwan. Here the sites for the chilling plant and its size has to be determined by cost benefit analysis taking into account the two alternatives (one chilling plant at Malwan and one at Ratnagiri against a larger chilling plant at Ratnagiri).

The emphasis on multi-level planning and spatial analysis brings to the fore another type of problem in project appraisal, viz, should the benefit/cost analysis be applied at the individual project level or at the level of bunch of projects for the lowest area unit of planning (say district). The same bunching approach may be relevant where there is vertical integration of projects, in the sense that, the output of one project is the input of another. A forestry project (say bamboo plantation in South East UP) may provide raw materials for the paper and pulp plant located within the project area. In this case should the whole complex of projects be considered as the unit for analysis or the two components taken as separate projects? The bamboo plantation itself may not be acceptable on the net present value (NPV) criterion (using say rate of discount as 10 per cent), or alternatively on the internal rate of return (IRR) criterion where

ECONOMIC AND POLITICAL WEEKLY

for a project to be acceptable the minimum IRR has to be 10 per cent, but considering the complex of projects it may be acceptable by the same criterion. Of course, the complexity does not arise if the two component projects are severally acceptable by the same criterion.

The logical corollary of the idea of bunching of projects for the benefit/cost analysis is that the decision criterion should be so defined that the scale or size of the project does not affect the decision; the trouble about

the benefit/cost ratio $\frac{B}{C}$ criterion is

that it is biased in favour of smaller projects whereas the B-C criterion is biased in favour of larger projects.

Sometimes one talks of $\frac{B-C}{C}$ criterion

but this reduces itself to $\frac{B-1}{C}$ and

therefore gives the same ranking as

the $\frac{B}{C}$ criterion.

The emphasis on minimum consumption needs gives new weightage to the quick-yielding projects and the so-called 'social consumption' (like education, health, drinking water supply). The first brings up the basic element in the analytical situation, viz, different projects have different life time and also differing gestation period. The steps crucial in any project appraisal are, therefore, identification of the time of the project; the time profile of the benefit/cost stream and the discounting rate for estimating net present value.

Identification of the life time of the project is from the angle of identifying the period for which the year-wise data on projects' cost/benefit are to be built up. While this is relatively easy when a purely 'project' approach is adopted, it becomes more difficult when the idea in the Planning exercise is to integrate the 'area' approach with 'project' approach. To take a simple illustration. In a bamboo plantation project of 3 lakh hectares the time required for covering the entire area at the rate of new plantation of 15,000 hectares per year would be 20 years and if the life-time of a bamboo is taken to be 30 years (i.e. till it flowers and dies), then if the first plantation starts in 1972 the entire area will be covered by plantations only in 1992 and the bamboos planted in the last year will have their life-time upto the year 2022. Thus, for this area-based project, the relevant life-time is from 1972 to 2022.

The above example of bamboo plantation can be made slightly more

difficult but realistic, by supposing that the plantation programme is started by an agency in say 1963 (against 1972, the current year). In that case, while the future benefit/cost stream would be discounted to the present value (as in 1972) the past benefits/costs would be compounded to 1972. The other alternative could be thought of in terms of compounding the stream to the terminal value, i.e. as in the year 2022. The terminal value approach will have the practical disadvantage of the common terminal year being dependent on the life-time of the most durable project on the shelf under consideration or, to be more precise, what Mishan calls 'terminal period of the project having the longest re-investment opportunity' in the case of projects which have wholly re-investible returns. It is usual to adopt the first alternative which is also simpler.

SIGNIFICANT FEATURE

There is also another basic question in this illustration. When does the life of a bamboo end? After 30 years — it flowers and dies; but more important is that it regenerates by itself; the natural regeneration is without any significant cost and yield stream and will be more or less the same as before. The usual approach in the project appraisal exercise, of adding 'scrap value' of the project after the last year of its life-time, can take care of the situation; but then one has to be careful not to miss in the 'yield' calculations this item and, while capitalising its value, to take full account of the above significant feature.

Linked with the period of analysis is the precaution about the 'yield rate constant' assumption. The purpose of building year-wise output or benefit data is to avoid such assumption. Output rate may not remain constant over time, and the variables which might introduce change should be critically looked into. In this task, care must be taken to distinguish variables which are integrally related to 'output' contribution as such, and to other factors which are external in that sense. To illustrate from the case of an irrigation project. Output per acre may not remain constant over time because of changes in cropping pattern, in seed variety (high yielding variety from ordinary improved) or in fertiliser input. But factors like recurrence of drought or flood, which do affect output of the individual years but are external, should be taken care of separately in the analysis, and not through the 'yield rate' estimates. Probabilities of occurrence of drought

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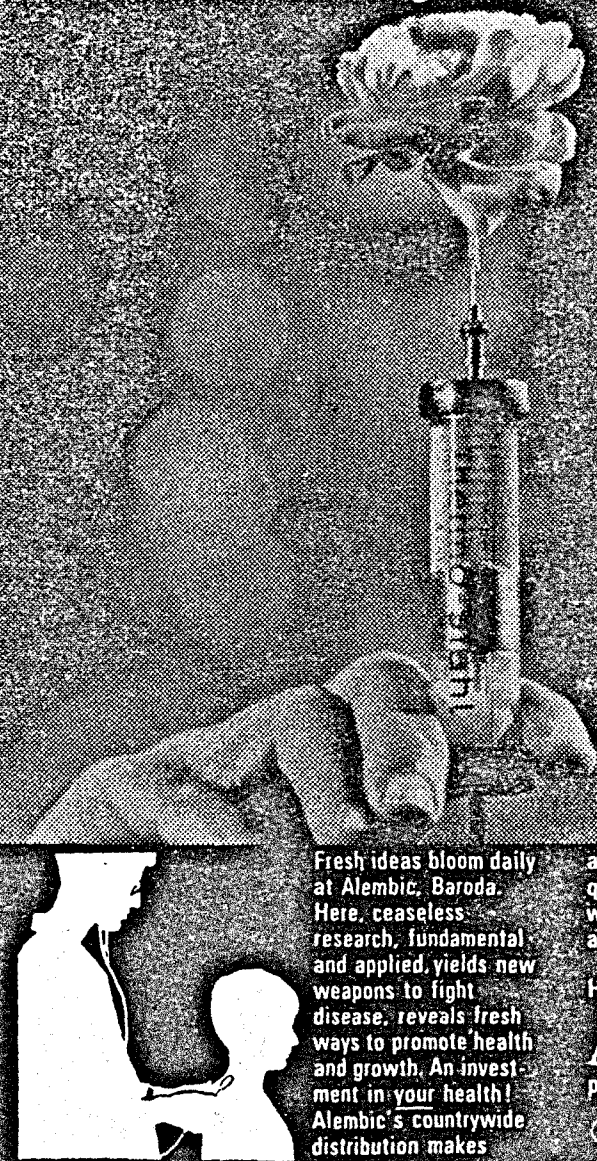
or flood could be explicitly thought of and taken into account in building the time profile of the output. In fact, the entire calculations could be done making different probability assumptions.

Even for the integral factors, like cropping pattern, there is an element of uncertainty in the forecasting for long periods. One may visualise different likelihoods (probabilities) for the emergence of different cropping patterns and could use these probability tags for the emerging 'net benefits' or net present values to get the expected value of net benefit from the project. Estimation of differing possibilities in cropping patterns for the command area of the irrigation project and their probability tags will mean collection of additional information involving costs. The question will crop up whether all this is worthwhile.

The current emphasis on social consumption implies that projects/programmes in this sphere too should be appraised by the uniform criterion. But the methodology for appraisal in sectors such as education or health, still remains to be crystallised in a form that could be applied as a part of the drill before inclusion of the schemes in the Plan. The problem is more of quantifying the benefits; in the sector of education, the incremental production approach implies measurement of incremental earnings because of education; allowance has to be made for the level of unemployment. A further complication may be that education can be conceived both from the production and the consumption end; it results in multiplicative interaction through better utilisation of other inputs. Among the benefits of education, there is 'allocative benefit that is determined by the ability to respond to the opportunities afforded by growth. This particular benefit increases as the level of education increases'.¹ This benefit has to be accounted for. In the health sector, besides the problem of isolating incremental earnings attributed to a specific health programme for those who are living, the benefits of lower death rate, vigorous living, etc, have to be identified and measured.

Then, there are basic questions such as, how social discount rate is determined; what will be the value of this parameter for India for the Fifth Plan period; whether it should be kept uniform for all the sectors in project appraisal work; or whether the technique of benefit/cost analysis should be thought of essentially as a tool for ranking projects for selection within a sector. While a detailed exercise on India's social rate of

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TABLE A

		Lower	Upper
Calculate	(i) Yield on corporate bonds Class A	6.7	7.2
Add	(ii) Risk premium for Government	2	7
	(iii) Corporate project and property tax	4.3	6
Get	(iv) Marginal productivity of capital	13	17.2
Deduct	(v) Added savings	-1.5	-1.5
Get	(vi) Social rate of discount	11.5	15.7
Adjust for	(vii) Inflation	-3.5	-1.5
Get	(viii) Social rate of discount in real terms.	8%	13.2%

discount remains to be done, the author is inclined to agree with the operational suggestion made by J A Seagreaves³ for determining the social rate by the procedure shown above in Table A. The illustrative figures given by him (lower limit and upper limit) are also indicated above. For the Indian economy a rough guess is that the social rate may be taken to be around 10 per cent.

Once the social discount rate is determined, the Net Present Value (NPV) method "gives the same acceptor-reject criterion as a minimum standard of rate-of-return, and it is in terms of rate of return that it appears easiest to justify. The constant discount rate, once established, provides a method of choice between incompatible alternatives: that is, alternatives which require the same specialised resource-input, and alternatives which exploit, in part or in whole, the same consumer demand." But what about the situation when "alternatives are not identical in their calls on consumer demand or specialised resources?" The conclusion drawn by H P Brown is that "the present values of two incompatible alternatives are completely comparable only if the alternatives make exactly the same calls on specialised resources or consumer demand. Something less than this exact equality may be sufficient in particular cases, where a difference occurs which is not material to the investing agency. But this immateriality has to be checked, and cannot be assumed to be generally the case; and, where in fact one alternative leaves open investment possibilities not permitted by the other, the present value of the further investment must be taken into account." The inference is that, while evaluating say a nuclear power station with life-time of 20 years *vis-a-vis* a conventional power station (life-time 40 years), NPV will give correct accept/reject criterion only if present value from a second nuclear power station (assumed to be installed sequentially) is added to the first nuclear station when comparing it to that

of the conventional power station with twice that life-time. But will this assumption of second nuclear station be always realistic in planning exercise?

The above illustration of choice brings to the fore the problem of the project appraisal analyst: for ranking the two projects he has to choose out of four procedures:

- NPV₁: when NPV of one nuclear compared to that of one conventional station.
- NPV₂: when NPV of two nuclear (sequentially) compared to that of conventional station.
- NVT: net value compounded to the terminal year (year 40 against the current year)
- IRR: Internal rate of return of the nuclear against the conventional station.

In this context, it should be noted that the basic difference in the NPV and the IRR method is the assumption that the cash generated from the project is reinvested at the project IRR rate in the IRR method and at the social discount rate in the NPV method. As the IRR rate will vary from project to project the adoption of the IRR method will imply assuming that the net output from different projects can be invested with different returns in the same society; this may be true for the private sector but not desirable for 'social' calculations. Further, the IRR method cannot handle adequately cases like coal mining industry where later-stage investments are involved (for filling the coal pits after mining is completed), unless another condition is added to the usual one in determining the internal rate of return — *viz.* that the net present value of any final section of the income stream should be non-negative. This really implies applying what Hawkins and Pearce call 'extended IRR method',⁴ as against the usual procedure where the IRR gives that rate of return which makes net benefit discounted at that rate equal to zero.

On the methodology issue there is another basic point. There are really two manuals on *ex ante* project evaluation methodology, the OECD manual (IMD Little) and the UNIDO manual; the question often raised is about their synthesis with a view to having an agreed operational procedure which can be adopted as a part of the drill by the Planning Commission. This will mean a brief, down-to-earth guideline for work which the appraisal division can take up as its first assignment. But briefly, I may mention that the basic differences are two: (i) emphasis on multiple objectives which occurs in the UNIDO but not in the OECD; (ii) use of overall foreign exchange accounting price in the UNIDO as against the use of many exchange rates in the OECD manual, which is implied in the pricing by the use of 'border' prices for the tradeables (traded internationally as well as those which could be traded); (iii) relative under-valuation of project benefits in the OECD approach because of border pricing in situations where, because of import restrictions, total availability of the project output is less than what would have been without import restrictions and where domestic costs are higher than border prices. Similarly, there will be relative over-valuation of project benefits if the project is using some input on which there are import restrictions and where the above situation applies.

On the issue of accounting prices of foreign exchange, there is an excellent critical review⁵ by Edmar Bacha and Lance Taylor. The determination of accounting prices is beyond the scope of this limited article, but a practical suggestion about presentation of the data in the detailed project report (DPR) on the foreign exchange aspect may be relevant. The DPR should indicate domestic costs of the project per unit of net foreign exchange earned/saved. This information, when pooled from different projects, will also throw some light on the direction in which the accounting price estimate of foreign exchange goes. At present, while the DPRs do give the foreign exchange component of costs, data on the above indicator are not readily available.

The question of pricing of strictly non-tradeables, such as electricity and transport remains. In respect of electricity, while generation cost is to figure in economic analysis, there is wide disparity in the electricity tariffs as charged at present by the different State Electricity Boards. Even the industrial rates are quite divergent and, for heavily electric-intensive industries, rates of

return are very sensitive to electricity rates. The disparity is still more conspicuous if a project like a nuclear-agricultural-industrial complex is being considered, where tubewell irrigation is the main agricultural component. Should not a uniform electricity price be assumed for all project appraisal exercises?

In the context of the Fifth Plan, there is growing awareness on the part of the Planning Commission about the lack of a shelf of projects in the past from which the Commission could make a scientific choice for inclusion in the Plan, but what needs better recognition is that a project appraisal exercise itself results in modification of the project as originally formulated and, therefore, it has to be done sufficiently in advance so that after appraisal the re-formulated projects are available for inclusion in the Fifth Plan. Further, the project appraisal work in the Commission has to recognise that appraisal is done at different levels (the state technical department; the state planning department; the Ministry; and the Commission) and the Detailed Project Report (DPR) including its section on economic justification has to provide the data and information base towards this end. The precaution to be taken in the DPR from this angle is that it should present the technical alternatives considered at the different stages or in respect of the different components of the project, and the basis for the choice of the alternative. This is important, particularly for sites, output mixes, technology, including employment intensive alternatives, input combinations, scales/sizes of plant/equipment and finally output prices. The DPRs, in their present shape, are inadequately documented in respect of output-mix and output-price alternatives as in the case of the Salem steel plant or the Kudremukh iron ore project.

If the DPRs are adequately documented on the above lines, the project appraisal analyst here could effectively carry out sensitivity analysis to identify the crucial variables to which the internal rate of return is more sensitive and examine in respect of those variables the extent of manoeuvrability open at that stage and suggest the direction in which the projects as formulated could be modified for improving the return in case the project does not fall in the acceptance zone. The variables for analysis may be picked out of the technical alternative variables discussed in para 19. Further, a sensitivity analysis may also be made to

find out if the accounting price of foreign exchange or labour makes substantial difference to the net present value of the project.

Another aspect to which the project appraisal analyst has to contribute is the identification through the appraisal exercise of the common biases in the DPRs as formulated relating to quantum of output, pricing, cost estimates, time-scheduling, etc. and suggestion to project authorities of adjustment factors or corrective actions so that future DPRs are better prepared. In this task, certain case studies of projects already on the ground vis-a-vis their DPRs as approved to identify the divergences and their causes will be helpful — along with suggestions regarding the line division concerned and the monitoring unit. Adequate feedback from the appraisal analysis to the Plan Formula-

tion Wing has also to be insured.

[The views expressed in this article are of the writer and not of the Planning Commission.]

Notes

- 1 'Optimal Investment in College Instruction: equity and efficiency' by T W Schultz, *Journal of Political Economy*, May/June, 1972.
- 2 'More on Social Rate of Discount' by J A Seagreaves, *Quarterly Journal of Economics*, August, 1970.
- 3 'The Present Theory of Investment Appraisal: A Critical Analysis' by H P Brown, *Bulletin*, Oxford University Institute of Economics and Statistics, May 1969 (page 122).
- 4 See 'Capital Investment Appraisal' by C J Hawkins and D W Pearce, 1971.
- 5 'Foreign Exchange Shadow Prices: a Critical Review of Current theories' in *Quarterly Journal of Economics*, May 1971.

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Educational institutions must promote its development through the introduction of an integrated course of studies on Maintenance Engineering and also by encouraging the necessary research activity in the area.

Even consulting engineers should find this a fertile field.

ONE of the major causes of the current country-wide power crisis is inadequate maintenance. In fact, the level of maintenance in most industrial plants is extremely poor. The reasons given for this are many, but the one that recurs is that the industry is unable to attract the proper talents into the profession of maintenance engineering, as engineers find this field intellectually uninteresting, economically unrewarding and mentally unsatisfying. It is rather unfortunate that this is so; it is not that the profession is inherently unattractive but that the engineers fail to see the challenging side of it.

About 25 years ago, maintenance was in the hands of technicians and depended upon their manual skills. Investigation of failures was more intuitive than analytical. Graduate engineers saw the profession as it was practised then, and since manual skill was not their strong point they stayed away from the profession.

The situation, however, soon changed. Graduate engineers found their way first into construction activity and then, when the plants were commissioned, into operation and maintenance. But with the continuously growing construction activity, graduate engineers found it more attractive to change from one construction job to another than to remain as maintenance engineers. It is difficult to blame them. If the plant was operated and maintained well, the work became uneventful and uninteresting. If the plant gave trouble, the work was a thankless task, to be carried out day and night under tremendous pressure from the management. Yet, there were no financial rewards, no pats on the back no mental satisfaction. You just went from one crisis to another. On the other hand, in construction, you got special site or construction allowances, transport facilities and, finally,

mental satisfaction when the plant was commissioned. You got your promotions when you jumped from job to job.

It is the thesis of this article that Maintenance Engineering is a sophisticated, multidisciplinary technology that must combine the highest skills, judiciously and intelligently applied past experience, the deductive techniques of a Sherlock Holmes, and the entire spectrum of analytical engineering, process knowledge and fabrication technology. Engineers must perceive the true nature of maintenance technology and wholeheartedly participate in it. Industrial management must recognise the true importance of the profession and create an environment that will attract talented engineers to it. Educational institutions must promote its development through the introduction of an integrated course of studies on Maintenance Engineering and also by encouraging the necessary research activity in the area. Even consulting engineers should find a fertile field.

SCOPE OF MAINTENANCE ENGINEERING

What is Maintenance Engineering? What is its scope and what are the new ideas and areas of development? Maintenance Engineering in an integrated system of techniques aimed at ensuring optimal operation of process and production plants. The objectives of any maintenance strategy are assumed to be an optimal balance between capacity, efficiency, availability, reliability (assured availability) and maintenance costs appropriate to the industrial and economical environment in which the plant operates. Maintenance Engineering techniques can be classified as follows:

- (a) Techniques of 'observation' of plant and equipment performance and status;

- (b) Techniques of 'Estimation' on the basis of observed data so as to decide the maintenance work strategy;
- (c) Techniques of maintenance work 'Planning and Execution';
- (d) Techniques of operation and maintenance 'Information Storage and Retrieval';
- (e) Techniques of 'Cost Accounting';
- (f) Techniques of 'Evaluation' of the effectiveness of the maintenance system.

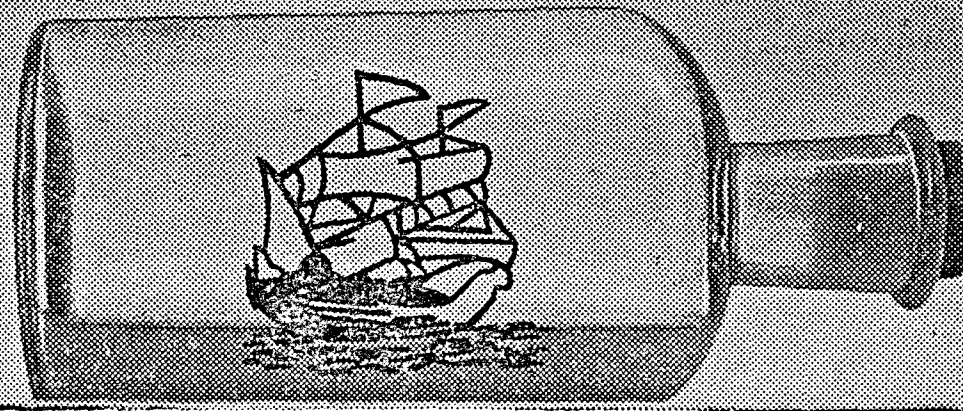
OBSERVATION AND ESTIMATION TECHNIQUES

Maintenance essentially begins with a well co-ordinated systems design that takes into account the operation, maintenance and safety requirements, appropriately selected equipment, components and materials capable of operation within the expected region of performance, and operated carefully with the help of a properly designed instrumentation, control and protection system by technical personnel who are knowledgeable in plant performance limitations, are sensitive to abnormal performance deviations, and correctly respond to plant emergencies. Observation and Estimation techniques therefore form the base of a sound maintenance strategy. The observational techniques can be classified as follows:

- (a) 'On line' observations:

- (i) From logged data from permanent plant instrumentation. Measurement of appropriate plant parameters through strategically placed instrumentation of the appropriate sensitivity and accuracy and indicating/recording/warning capability. Logging techniques Manual/automatic.

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Current / historical / trend / processed or derived. As is/ deviations/out of limits.

(ii) From special tests
Tests to establish overall plant, system, subsystem and equipment capability and efficiency, as original bench-mark performance for newly installed plant, intermediate benchmark performance after major overhauls and in connection with any special plant events.

Tests to monitor, investigate and relate internal equipment component behaviour or status to parameters observed from outside on running equipment.

Tests to induce or simulate normal/abnormal behaviour and study equipment or system behaviour in connection with investigation of abnormal occurrences.

(b) 'Off line' observations:

(i) Visual inspections — component conditions, alignments etc.

(ii) Non-destructive testing — Ultrasonic tests; Dye penetrant checks; X-raying; Microscopic examination; Chemical analysis of deposits; Insulation testing.

(iii) Destructive tests on failed components: Besides above tests Physical testing; Metallurgical examination; Chemical examination.

The recent interest in observational techniques, particularly in on-line observations, is on account of the heavy financial penalties associated with taking a process plant out for maintenance too early or too late. The fired charge on a 200 MW thermal power generating unit, costing nearly Rs 40 crores, is nearly Rs 1.5 lakhs per day and another Rs ½ lakh per day for making up the lost generation in the next inefficient unit(s) at an assumed incremental cost of 1 p per KW hr. With a 500 MW unit, the above figures will be correspondingly higher.

It is, therefore, essential to devise observational techniques in such a manner that they permit an accurate estimation of the internal status of a running plant/equipment, detect minute incipient faults, and predict end of reliable or economically useful performance through analytical techniques, empirical relationships or experience.

Ideally, estimation techniques should

establish the most optimum maintenance strategy such that corrective action is possible just before the point beyond which continued operation is positively unsafe or uneconomical and the necessary operation and maintenance preplanning has been possible.

The plant performance data must be so analysed that every deviation from the ideal operating environment and condition is unambiguously related to a specific component deviation in operating efficiency. It is only then that the maintenance strategy can be directed towards the more important contributory causes.

There has been considerable recent research activity in the area of detection of internal incipient malfunctions from externally observed phenomena. This area is generally identified as "Secondary Effect Signature Analysis". The performance or the status of an internal component, when suitably communicated outside through natural or seeded communication paths or coupling modes, can be observed through their secondary effects. The coupling modes can be electro-magnetic, acoustical or chemical in nature. The side-effects are not usually uniquely characterised but may be described as signatures. To overcome some of the disadvantages of signature recognition in the presence of widely varying environmental conditions, a synthetic or artificially induced (seeded) side-effect may be introduced to give a unique side response. Oil analysis of IC engines, or vibration analysis of ball and roller bearings are simple examples.

Careful analysis of an occurrence of abnormal behaviour is a powerful analytical tool to analyse the adequacy of existing plant protection systems, and to make the necessary design modifications in them. Occurrence analyses requires considerable ingenuity. In some cases, particularly large thermal and nuclear power plants, an elaborate computerised alarm analysis has been found to be justifiable. Similarly, chemical and metallurgical examination of failed specimens can reveal the true nature of the environment, operating conditions material properties, design deficiencies, etc, not clearly understood or envisaged at the time of sign.

WORK PLANNING AND EXECUTION TECHNIQUES

Techniques of "Planning and Execution" can be categorised as follows:

(a) Planning covers:

Manpower scheduling;
Activity scheduling;

Replacement material scheduling;
Maintenance equipment scheduling.

(b) Execution covers:

Cleaning techniques;
Rebuilding of wasted material;
Restoring deformation or original material properties;
Restoring original alignments or clearances;
Redesign of components/systems for better performance.

Work planning of the maintenance activity is as complex as project planning; perhaps more so because of the limited manpower, time, access and tools generally possible in a maintenance activity. Work progress must be watched and reviewed very frequently, strategies redecided as new elements are discovered and work executed with almost split-second timing. The working environment is far more difficult than during initial shop fabrication and site construction. In some cases it is extremely hot, cramped and, as in the case of a nuclear plant, even dangerous. The work techniques also require considerable ingenuity since none of the factory facilities and conveniences and often even design data are usually available. Rebuilding wasted material, restoring deformation, etc, often require a different approach from what was used during initial manufacture.

INFORMATION STORAGE AND RETRIEVAL

Maintenance information storage is essentially a method of accumulating operation and maintenance experience in such a manner that it can be intelligently employed in a wider variety of operation and maintenance situations than it was gathered from. To facilitate this, the experience must be analysed into its essential basic elements—the equipment/component involved, the operating environment and history, the current equipment/component status and the future trend, the nature of maintenance work performed, the mechanism of deterioration/failure, the sequence of events in a complex occurrence—identified and described in terms that will permit comprehensive retrieval from elementary clues and statistical data accumulation on a wide basis.

The techniques of "Information Storage and Retrieval", as currently applied to maintenance work, therefore need considerable reorientation, rethinking and widening of its scope. Each

process plant today has its own method of keeping and utilising its maintenance records. While a large organisation may collate or combine its maintenance experience either through frequent internal meetings or through centralised maintenance, the entire process and production industry has never found it practicable to join hands in a nation-wide effort. There are some advantages in developing an information storage and retrieval system that is universally applicable to all process plants.

A process plant can be envisaged as a set of systems and subsystems, each subsystem comprising of more or less very similar equipment such as prime movers, steam generators, reaction vessels, heat exchangers, agitators, filters, dryers, evaporators pumps piping, instrumentation, electrical motors switchgear, cables, etc. The performance of each equipment, when compared with that of other similar equipment in any other plant, on the basis of similar internal and external operating environment, can permit development of better statistical records than each plant can individually do. This however is possible only if we develop a common or universal language for identifying equipment and describing the operating history, the status of internal components from on-line and off-line observations and the description of maintenance work carried out. A cue can be taken from the languages computer engineers have developed for various specific applications. It should be possible to develop a language suitable for computer storage and retrieval maintenance records and then utilise it on the same basis as the Edison Electric Institute has done it for the compilation of operational performance of the generating units in USA. In this case, the data are maintained on confidential basis; generalised data are available to all but specific plant data to owners only.

COST ACCOUNTING AND EVALUATION TECHNIQUES

The cost accounting efforts are directed towards establishing the cost of maintaining, at near original level, the performance of each component/equipment/system/plant so as to determine the financial strategy for replacement or design/material modifications and the effectiveness of the maintenance effort. The first problem is solved by a well-designed system component/equipment/system/plant identifications and cost heads. The main problem, however, is how to establish a suitable index for the effectiveness of maintenance. For

TABLE	
$= \frac{\text{operating performance index}}{\text{maintenance cost index}}$	where any = $\frac{\text{actual}}{\text{ideal}}$
The same index can be expressed as	
$= \frac{\text{Actual operating performance}}{\text{Ideal operating performance}} \div \frac{\text{Actual maintenance cost}}{\text{Ideal Maintenance cost}}$	
$= \frac{\text{Actual operating performance}}{\text{Actual maintenance cost}} \div \frac{\text{Ideal operating performance}}{\text{Ideal maintenance cost}}$	
$= \frac{\text{Actual maintenance index}}{\text{Ideal maintenance index}}$	

such an index to be developed, we need to know, besides maintenance costs, idealised maintenance costs, actual operating performance and ideal operating performance. We might then envisage a maintenance performance index as shown in the Table.

From the performance of each equipment in terms of capacity, availability and reliability (assured availability) it should be possible to develop a composite performance index for a system — a configuration of equipments — using reliability theory. Idealised performance data would be calculated from equipment and component guarantees, material and component behaviour pattern data from laboratory or factory tests or from the recorded operating history of the most well run equipment obtained from the Information Storage and Retrieval System described earlier.

Maintenance cost accounting can present some challenging problems when one tries to apportion actual costs to individual components and equipments, particularly the common costs such as of opening and closing a large piece of equipment. Consequential loss of production is not usually a charge against maintenance but in a maintenance performance index, such cost items would have to be taken care of. One would then also have to take into account these maintenance items that derive the benefit of an outage due to some other defect. Determining ideal maintenance costs is even more difficult. Can we somehow establish the maintenance expenditure justified on a process plant going purely by the economic and financial environment in which a plant operates, such as tax laws, depreciation methods, process obsolescence, market conditions, etc?

CONCLUSIONS

In conclusion, two points need emphasis. Firstly, Maintenance Engineering is a neatly definable discipline, with clear-cut objectives, multidisciplinary tools and techniques and capable of being professionalised. The basic skills of Maintenance Engineering can be

identified as follows:

- Process thermodynamic theory;
- Mechanical/electrical/chemical system design theory;
- Instrumentation — sensors, data analysis and pattern recognition techniques;
- Industrial engineering — work study methods, project management techniques;
- Material technology — properties of materials;
- Fabrication technology covering welding, joining, shaping, forming techniques;
- Metallurgy — material behaviour, heat treatment, metallurgical examination theory;
- Reliability theory;
- Operations research, econometrics and mathematical modelling techniques;
- Cost accounting theory and techniques;
- Information, storage and retrieval techniques;
- Computer programming techniques.

There are many areas in which excellent opportunities for individual as well as multidisciplinary research activities are possible. Therefore, educational institutions should find it justifiable to develop Maintenance Engineering as an integrated discipline at the M Tech level. Similarly, industry should find it to its advantage to offer attractive career opportunities to these post-graduates.

The second point is the concept of developing and utilising performance indices for objective monitoring of the effectiveness of an organised effort. This concept is utilisable in many other fields and could become a subject by itself. These indices should be used in conjunction with data collection by national bodies vide standardised procedures on industry-wise or even nation-wide basis and the processed data made available on confidential basis to individual organisations in respect of their performance and to all in respect of group performance. In respect of public utilities, the data should be made available for public review.

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Pledge to continue struggle for Self-Reliance

K HARTLEY, Managing Director Indian Oxygen Limited

A momentous event

A few days ago the first Indian made oxygen plant was delivered by IOL to Bhagwati Steel Pvt Ltd, Howrah, West Bengal. The plant is now in the process of installation and is expected to be commissioned within a short while. This is indeed a momentous event in the life of Indian Oxygen Ltd (IOL). It is also an event of importance for the country as a whole because it registers another step forward in the country's march towards self-reliance — the indigenous manufacture of air separation units and other plants for the manufacture of industrial gases and cryogenic equipment. This is a field where until recently India was entirely dependent on imports. It is a matter of satisfaction that with the development of plant manufacturing activities in India another important technological gap in our national industrial structure has been closed and it is even more gratifying to be able to record that this plant and others which will be following shortly are being manufactured entirely with IOL's own know-how and technology. Apart from oxygen plants, the range of plants and equipment in this field manufactured by IOL includes plants for the manufacture of Acetylene and Nitrous oxide Argon Purification systems, High Pressure Compressors for various gases as well as Vacuum Insulated Vessels for storage, transport and distribution of cryogenic liquids. The plant that IOL has recently delivered is only the first in a series of plants which are now being manufactured at our Plant Manufacturing Shop in Calcutta. Another two plants will be delivered by September this year and thereafter we plan to deliver a plant every two months or so.

Marching in step

This is I feel, a fitting occasion for us to take a look back at the growth and development of our organisation especially in the years since the planned economic development of our country started. It has throughout been IOL's endeavour to march in step with the country's economic development, to achieve progressively import substitution and to act as a vehicle for the dissemination of advanced technology in fields with which we are connected. By doing so we felt we could on the one hand, conserve valuable foreign exchange and on the other make available to industry sufficient quantities of gases, welding equipment, and consumables so that the nation could cope with the gigantic task of national development that was taken in hand from the moment of the launching of



Mr K Hartley

the First Five Year Plan. Thus, long before the slogan of self-reliance became popular in political circles, we in our own humble way had begun the march towards self-reliance.

Pioneering role

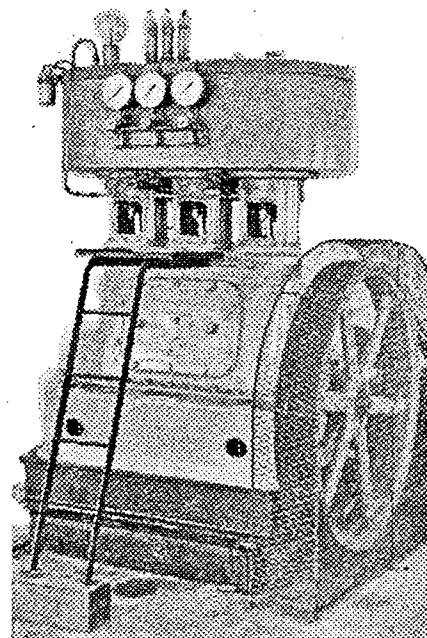
In pursuit of this ideal IOL pioneered the manufacture of welding electrodes — the first Indian factory which was established by us as early as 1947. Familiarising the country with various applications of industrial gases including the use of oxygen in steel-making, the use of nitrogen for annealing metals the use of argon for welding aluminium and other non-ferrous metals were among other steps that we took to keep Indian industry abreast of the latest technological developments. Simultaneously we set up production facilities to make available the gases and equipment required for this, IOL also played an important role in developing distribution systems for gases through pipelines so that large users of these gases for industrial as well as medical purposes could have supplies on tap. Today IOL is in a position to undertake the installation of pipeline systems on a turnkey basis not only for gases but also for petroleum products where specialised know-how is required. We are also proud that we have been able to play a role in India's defence effort by supplying specialised equipment and electrodes for the fabrication of armoured vehicles and naval vessels and making available high altitude oxygen to the Air Force.

Early next month we shall be launching another new product for the first

time in the Indian market — MIG Welding Equipment. The story of the various products that we have developed to meet the requirements of the Indian market is a long one and I do not propose to dwell on it further. It has been referred to here to indicate that these developments would not have been possible if from the beginning IOL did not have the outlook of identifying itself with the aspirations of the nation and dedicating itself to the task of rapid industrial development.

Self-reliance through Research and Development

It is obvious also that it has been possible for IOL to render this service to industry and to achieve import substitution in such a systematic manner only because in consonance with its general outlook of identifying itself with the national interest it had established its own R and D facilities which have been strengthened from time to time in keeping with its operational needs. Several products developed by IOL are based on technical know-how originating within IOL. Even today our R and D establishments and our planning cells are looking ahead into the future and trying to develop products which will satisfy the needs of future years and will take the country nearer towards the national goal of self-reliance.



Gas Compressor

Creating export markets

It is in keeping with the same outlook that IOL has made special efforts on the export front. Although gases and many of IOL's major products are essentially unexportable it has been able to find markets abroad for a number of its products.

As employer

As an employer, IOL has constantly striven to maintain cordial relations with its employees and their unions and to keep its wage levels and other benefits ahead of the national norm. It has planned and made conscious efforts to develop its human resources and the large majority of those holding positions of responsibility in the organisation today have risen from the ranks. Aware of the importance of productivity in ensuring the progress of the Company and the resultant well-being of its employees, emphasis on productivity has been a main theme of our negotiations with the employees over the years. IOL was among the first in India to negotiate and sign settlements with employees unions linking wages with productivity.

Identity with national objectives

Our close identification with national objectives throughout the period is reflected in several other spheres. In times of natural calamities and national crises IOL has responded promptly and liberally to the call for special efforts. On the declaration of the national emergencies in 1962, 1965 and 1971 we made substantial contributions to the National Defence Fund and other defence-oriented funds. We have also lent support to worthwhile projects to honour the memory of several national leaders. Our participation in the activities of and contributions to well-known organisation and institutions — both Government and public — engaged in scientific, economic and industrial activities has been recognised to be significant in many cases. In our public relations activities especially with the issue of several publications we have sought to give expression to our feeling of identity with the country's needs and ideals. We have thus dealt with occasions, events and information of great national import and tried to present the past and project the future in proper perspective. The recent IOL Publication — 25 Years of Indian Independence — released in August 1972 falls in this pattern.

Towards import substitution and diversification

Technology in the fields of industrial gases and welding is developing fast. For instance, many new uses of nitrogen have been found in the sphere of food preservation and oxygen is being increasingly used in the treatment of effluents. In advanced countries sophisticated techniques of welding and cutting have been developed such as laser welding, ultrasonic welding, computer controlled cutting and so on. IOL

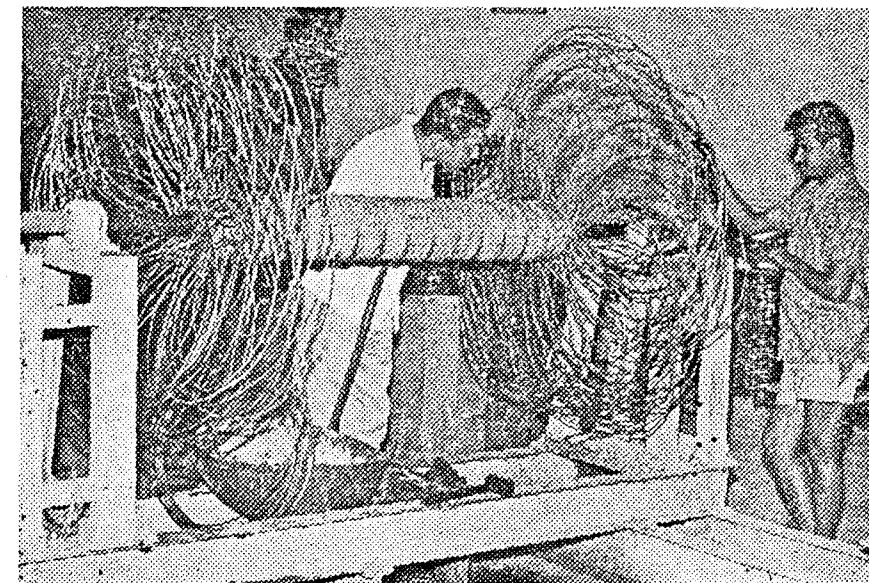
would have welcomed the opportunity of making available to the country its knowledge and expertise in these fields. However we have taken note of the desire of our Government that companies such as ours should try to diversify into new lines and should harness their financial and human resources for filling important gaps that are present in the industrial structure of the country today or are likely to emerge in the near future. These gaps have been identified by Government recently in its list of 19 industries. We are also aware that there is an acute scarcity of foreign exchange today and that it is necessary to conserve foreign exchange by even more vigorous measures for import substitution and that it is necessary to make efforts to earn foreign exchange by promoting exports. We have also taken note of the national aspirations which expect that foreign controlled companies should progressively reduce the proportion of foreign equity in the total share capital and associate the Indian public in larger numbers in the ownership of IOL.

Our intent

I would like to take this opportunity of declaring that in keeping with our tradition of identifying ourselves with the interest of the nation we wish to expand and diversify the Company's activities within the policy guidelines laid down by the Government of India for foreign controlled companies. I am sure the Indian public will be pleased to learn that in this task we have been assured of the full support of The British Oxygen Co. Ltd.(BOC) which

has promised to make its world-wide expertise available to us in our search for diversification projects in the fields recently specified by Government. BOC is an international Group operating in twenty-eight countries in fields as diverse as welding advanced engineering, metallurgy, chemicals, food services besides medical and industrial gases. In many of these fields BOC is an acknowledged leader. Needless to say any further expansion or diversification project that secures the approval of the Government of India would, in accordance with the formula laid down, automatically reduce the foreign equity holding of this Company.

As a Company we have faith in the future of this country. We have never allowed ourselves to be overwhelmed by adverse factors which may have temporarily obscured the horizon. It is on record that even in the midst of the recession which affected most of all the engineering industry, with which we are directly connected, we did not allow ourselves to be dismayed but went through with the plans of development that we had drawn up prior to the recession. We are glad to note that this confidence was not belied and that when the economy started picking up after the recession we were ready to serve industry with our improved facilities in various parts of the country. We have every hope that in the future too we shall have opportunities of playing a role in the exciting drama of national development. The current year which happens to mark the Silver Jubilee of Indian Independence is perhaps opportune for reiterating our pledge to dedicate ourselves to the continuing national struggle for self-reliance and faster industrial growth.



Heat-Exchanger unit under manufacture

The Indian Industrial Worker

His Origin, Experience and Destiny

Baldev R Sharma

This paper presents some research findings on the background, experience and aspirations of the Indian industrial worker and discusses their implications for the climate of industrial relations in the country today. It goes on the hypothesis that a given state of industrial relations, whether at the plant or the national level, is the end product of a multiplicity of interacting forces which include, among others, economic considerations, political processes, legal framework, technological environment, socio-cultural factors, and psychological forces.

ONE of the parties actively involved in a situation of industrial relations conflict or harmony is, of course, the industrial worker. While it is customary to trace back industrial relations conflict and co-operation to the so-called nuts-and-bolts of the situation (e.g. wages, dearness allowance, bonus and the like), we seem to forget the basic fact that conflict and co-operation between people and groups begin and end with human beings. Therefore, to talk of industrial relations in terms of the so-called substantive issues without looking at the human beings who are involved in the situation will at best be a partial approach. Let me hasten to add that, by the same logic, to talk of industrial relations in terms of the social-psychological factors (as I promise to do in this paper), without looking at the substantive issues, would be equally partial!

About two years ago, I published an article, 'The Industrial Worker: Some Myths and Realities'.¹ As argued in that paper, popular beliefs about the Indian industrial worker are in sharp contrast to the reality of their situation. Consciously or unconsciously, certain 'myths' are being perpetuated about him. An attempt was made there to highlight some of the reasons for the continued belief in the 'myths' described in the paper. The paper ended with the suggestion that, instead of blaming the socio-cultural background of the industrial worker, the Indian managers should try to satisfy some of his social and psychological needs which appear to be largely neglected. Some concrete steps were outlined for managerial action. For the last two years, I have been engaged in a major research project on the subject of labour commitment in India.² In this paper, I would like to present some further evidence on the subject based on my recent study. Before presenting the new data it would be useful to say a few words

about the nature and scope of my recent study.

The study was concerned with only blue-collar workers and, within that category, only direct production workers. Eight companies were chosen on the basis of their production technology, so as to obtain a sufficiently diverse sample. The eight companies represented the following four technology groups: (1) jobbing, (2) machine-tending, (3) mass production and (4) continuous process. Four of the eight companies were from the West (Maharashtra and Gujarat) and the other four from North (Rajasthan and Punjab). One of the eight companies was in the public sector, one in the joint sector, and the remaining six were in the private sector.

All the eight firms were in the manufacturing business. The jobbing firms manufactured machinery in one case and control instruments in the other — both on unit production basis. The machine-tending firms were both textile mills. The two mass-production firms manufactured consumer items mostly for domestic use. And, finally, the continuous-process firms included one fertiliser plant and one synthetic fibre plant. A total of 1971 blue-collar workers were interviewed for the purposes of the study. The names were selected from the company payrolls on a simple random basis.

BACKGROUND AND CHARACTERISTICS

Of the 1971 workers interviewed, 56 per cent were found to be rural, while the remaining 44 per cent came from urban areas. Eighty-two per cent of the workers were Hindus and, among them, 46 per cent belonged to upper castes. The average worker had had about eight years of formal education. As many as 40 per cent of them had completed high school education, including some (14 per cent) who had even gone to college. Only 11 per cent of the workers were found to be illiterate. The educa-

tional background of the worker was, quite understandably, in sharp contrast to that of his father.

The educational background of the worker's father showed that he had had on an average four years of formal education. Only 11 per cent of the fathers had completed high school, and 40 per cent of them were illiterate. Thus, in just two generations, the educational levels of the fathers and sons have been completely reversed as shown below:

	Father (per cent)	Son (per cent)
(a) Completed high school	11	40
(b) Illiterate	40	11

The occupational background of the worker's father showed that only 35 per cent of the fathers had worked primarily in agriculture. As against this, 30 per cent of the fathers had worked mainly in white-collar occupations — like clerical, business or professional — and 19 per cent in the blue-collar occupations. The remaining fathers either held some menial jobs (9 per cent) or their occupational background could not be ascertained (7 per cent). Thus, neither educational background nor occupational experience of the worker's father showed him to be overwhelmingly rural in origin.

The occupational background of the workers themselves revealed that 45 per cent of them had had some work experience before joining the present firms. The average length of previous work experience for the sample as a whole came to over four years. Less than one per cent of the workers had earlier worked mainly in agriculture whereas one-third of them had worked at factory jobs. The average seniority of the workers in the present firms was a little over six years. One-third of the workers belonged to states other than the one in which they worked at present. The average age of the workers was about 29 years; 79 per

ECONOMIC AND POLITICAL WEEKLY

cent of them were married; and each worker had on an average four dependents. Finally, the average worker was earning a sum of Rs 276 per month as emolument. A summary of the background and other characteristics of the industrial worker is given in Table 1.

ORGANISATIONAL EXPERIENCE

Less than one-fourth of the workers interviewed (23.4 per cent) had seen a newspaper advertisement for the first job that brought them to the present firms. A little over two-fifths of them (42 per cent) had sent in a written application. One-fourth of the workers were registered with an employment exchange but only 10 per cent of them reported that their names were recommended to the firms by the employment exchange. Less than one per cent of the workers said that they were helped by a trade union in getting their first jobs.

As many as 60 per cent of the work-

TABLE 1: BACKGROUND AND OTHER CHARACTERISTICS OF 1971 INDUSTRIAL WORKERS

Particulars	Frequency
Rural workers	55.9 per cent
Hindu workers	81.6 "
Upper-caste workers	46.1 "
Level of education of the worker	
(a) Illiterate	10.9 "
(b) Matric and above	39.9 "
(c) Average level of education	7.7 years
Level of education of the worker's father	
(a) Illiterate	40.0 per cent
(b) Matric and above	11.0 "
(c) Average level of education	3.9 years
Main occupational background of the worker's father	
(a) Agriculture	34.6 per cent
(b) White collar	29.8 "
(c) Blue collar	19.1 "
(d) Menial	9.2 "
(e) Other	7.5 "
Total	100.0
Main occupational background of the worker	
(a) Agriculture	0.5 "
(b) White collar	5.5 "
(c) Blue collar	34.3 "
(d) Menial	4.1 "
(e) No experience	55.6 "
Total	100.00 "
Average length of employment in the present firm	6.1 years
Out-of-state workers	33.1 per cent
Average age of the worker	28.7 years
Per cent married	78.6 per cent
Number of dependents	4.4 "
Average monthly emoluments	Rs 276

ers reported that they knew someone already working in the firm when they were looking for a job. More than half of them (52 per cent) said that their 'contacts' helped them in obtaining the job. In answer to a direct question, three-fourths of the workers reported that 'influence' was most important or fairly important for securing employment in their firms.

Commenting on the management culture prevailing in their respective companies, almost half of the workers (49 per cent) reported that "company officers think only of themselves". Over two-fifths of the respondents (42.3 per cent) are of the view that their companies "exploit workers every chance they get". And, finally, over half of the workers (53 per cent) charged that their companies show "favouritism in their promotion policies". These being the perceptions of the workers about their employers, it is little wonder that as many as 42.4 per cent of the industrial workers are reported to be "generally unhappy".

A number of questions sought to ascertain the nature of work technology. The picture that emerged from the workers' responses highlights 'positive' as well as 'negative' aspects of the jobs held by the workers. On the positive side, almost all workers (97.7 per cent) consider their jobs essential to the success of their firms. More than nine out of every 10 workers (92.6 per cent) report that their jobs require much mental concentration. A large proportion of the workers (88.7 per cent) feel that their jobs require much responsibility. Three-fourths of them (74.7 per cent) are of the view that quantity of work they have to do does not interfere with their quality of performance.

On the negative side, there are several ways in which the jobs of factory workers leave something to be desired. To begin with, only about two-thirds of the workers (65.4 per cent) are of the view that their present jobs provide them with an opportunity to fully utilise their capabilities. Similarly, only about two-thirds of them (63.4 per cent) feel that they get a chance to try out their own ideas. Thus, as many as one-third of the workers interviewed are holding jobs which fail to give them a chance to use fully their own ideas and abilities.

Less than three-fifths of the workers (58.8 per cent) report that their jobs involve variety, i.e., doing different operations or things most of the time.

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workers feel that their jobs often provide *challenging situations*. Less than half of the workers (46.7 per cent) are of the view that their jobs do not leave them *too tired* at the end of the day. And even fewer of them (42.7 per cent) report that their jobs do not make them work *too fast* most of the time.

Answers to the next three questions are even more revealing. At least two-fifths of the workers (39.5 per cent) describe their work as *monotonous* as a result of which they feel that they are unable to use all of their talents. Less than two-fifths of the workers (38.9 per cent) feel that they can change

TABLE 2: ORGANISATIONAL EXPERIENCE OF 1971 INDUSTRIAL WORKERS

Particulars	Per Cent
(a) Organisational Culture	
Saw a newspaper advertisement for the job	23.4
Sent a written application	42.1
Registered with an employment exchange	25.5
Name recommended by an employment exchange	10.3
Helped by a trade union in getting employed	0.8
Knew someone who already worked in the firm	60.3
Helped by the "contacts" in getting employed	51.8
"Influence" is most important or fairly important for securing employment in the firm	75.6
Company officers think only of themselves	49.0
This company exploits workers every chance it gets	42.3
The Company shows favouritism in its promotion policy	53.0
The workers in this factory are generally unhappy	42.4
(b) Work Technology	
"My job is essential to the success of the company"	97.7
"My job requires much mental concentration"	92.6
"My job requires much responsibility"	88.7
"Quantity of work does not interfere with quality of performance"	74.7
"My job gives an opportunity to use fully my capabilities"	65.4
"My job gives a chance to try out my own ideas"	63.4
"My job involves doing different operations or things"	58.8
"My job often provides challenging situations"	54.3
"My job does not leave me too tired at the end of the day"	46.7
"My job does not make me work too fast most of the time"	42.7
"Work here is monotonous: it does not use all of my talents"	39.5
"If desired, I can change my methods of work"	38.9
"I can leave my work for half	--

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their work methods if they desired to do so. In other words, more than three out of every five workers are assigned jobs which allow little freedom on discretion insofar as methods of work are concerned. And, finally, less than one-fourth (22.6 per cent) of the workers are allowed to leave their place of work for half an hour without a reliever even when they could finish their assigned task during the allotted time. Table 2 summarises the organisational experience of the industrial worker.

OCCUPATIONAL ASPIRATIONS

Each worker was asked to indicate the highest job that he thought he could get in his present company. The responses to this question were supposed to give us an idea about the level of aspirations of the workers. In addition, we can also judge from these responses as to what occupational future awaits the industrial worker after he has worked in industry for a number of years. Of the 1971 workers interviewed, only 449 (22.8 per cent) hoped that they could some day rise to the supervisory level or above.

Over three-fourths of the industrial workers, therefore, are pursuing more-or-less dead-end careers. Almost one-fourth of them (24.7 per cent) think that they will retire as workers, rising no higher than where they are at present. Another 30.3 per cent hope to advance to some senior grade as a worker, while only 12.8 per cent think that they can become jobbers or mukadams. The remaining 9.4 per cent of the workers could not respond to this question. The workers estimated that they would hit the ceiling in about six years on an average. The next question sought to determine the monetary level of the job that the worker hoped to reach at the height of his career. The average monthly emoluments aspired to by the industrial worker came to Rs 390, which represents an increase of 41 per cent over the present average emoluments of Rs 276 per month.

Through several projective questions, the workers were asked to compare factory work with the work of an office employee and that of a small independent farmer. The respondents were asked to assume the monthly income in all three types of work to be the same. In this comparison, agricultural work was considered by the workers to be most respectable, most necessary, least monotonous, and most satisfying. In all these cases, the small independent farmer scored the highest rank, followed by factory work and office work, in that

order, with just one exception. The exception was over 'monotony', in which case factory work was considered the most monotonous and office work the next most monotonous.

Next, the workers were asked the following hypothetical question: "When you have accumulated enough money, would you like to quit the factory and go to live in a village?". Over three-fifths of the workers (61.8 per cent) replied this question in the affirmative, which shows that the 'heart' of the industrial worker is not in his present job but somewhere else. Similarly, in answer to another hypothetical question, 59.1 per cent of the workers said that if they could go back to the age of 15 and could start life over again, they would choose an occupation other than factory work. It seems, therefore, that for the majority of industrial workers their jobs fail to have a strong 'pull' for getting them involved in their work.

SUMMARY AND DISCUSSION

Background: The data on the background and other characteristics of the Indian industrial worker presented in Table 1 generally support the conclusions already drawn in my earlier paper. We may conclude, therefore, that (1) the Indian industrial worker is not predominantly rural; (2) very few of them are illiterate; (3) only a small proportion have previously worked mainly in agriculture; (4) among the ones with previous experience, those with industrial experience are in the majority; and (5) most of them are Hindus generally coming from upper-caste families. The new data further reveal that the worker is 29 years old, has continuously worked in the present firm for six years, at least one-third of them are from out-of-state, and his average monthly emoluments are Rs 276.

As argued in my earlier paper, both physiological and safety needs of the workers are more or less satisfied. In view of this (and as the psychologist Abraham Maslow would have us believe), the workers are increasingly concerned about their social and ego needs. The research findings reported in this paper clearly show that the social-psychological needs of the industrial worker remain largely unsatisfied. Given the background and other characteristics of the worker, as shown above, it seems all the more important that his latter needs are attended to. More on this point will follow.

Experience: The organisational experience of the industrial worker reveals that right from the beginning of his industrial employment he is subjected to an organisational culture which he does not see as altogether rational or just. Workers are recruited not through open competition (using agencies like the newspaper and the employment exchange) but through influence and contacts. Moreover, as viewed by about half of the workers, the company officers think only of themselves, the companies exploit workers every chance they get, and promotions are based on favouritism. Such a state of affairs is likely to demoralise the worker and, as shown later, make him feel alienated. Here, then, we have the first major source of tension which must influence the industrial relations climate.

The workers consider their jobs essential to the success of their companies. They feel that their jobs require much mental concentration and responsibility and that quantity does not affect the quality of their performance. However, despite these positive aspects of industrial work, the workers do not appear to be very satisfied with their work experience. One of the reasons for dissatisfaction appears to be the lack of sufficient opportunities for employees to use their own abilities and skills in the execution of the tasks assigned to them. The several questions on work technology included in Table 2 bring out the negative aspects of industrial work quite clearly.

Further analysis of data showed that the 13 dimensions of work technology mentioned in Table 2 were not equally important in influencing workers' attitudes and feelings. In fact, only the following six factors were significantly related to whether the worker felt happy or unhappy about his work experience:

- (1) Job gives a chance to use fully own abilities.
- (2) Job gives a chance to try out own ideas.
- (3) Job does not leave too tired at the end of the day.
- (4) Job does not make work too fast most of the time.
- (5) Work here is monotonous; it does not use all of my talents.
- (6) If so desired, can change methods of work.

Each of the six conditions of work mentioned above seemed to promote or inhibit satisfaction not only with the job but also with the firm. This finding

dom, autonomy, discretion and control in relation to work experience. The presence of these factors seems to promote positive feelings toward the job as well as the company, while their absence is likely to produce negative feelings.

Jobs in modern industry are designed in terms of the principle of specialisation. The principle of specialisation, as applied to industrial work, is expressed through the processes of rationalisation and mechanisation. In a mechanical factory, jobs are broken down into minute parts and skill is transferred from the operator and is built into the machine. In such a plant, therefore, machine plays the dominant role in the production process while the worker is generally reduced to the status of a machine tender or an assembler. As industrialisation advances, there is a progressive increase in the degree of mechanisation which, in turn, results in the loss of freedom and control for the operator. We have here, then, the second major source of tension which is bound to influence the industrial relations situation.

Aspirations: The industrial worker by and large does not see his future career as a "rosy" one. The typical worker hopes to remain an industrial worker all his life and the occupational advancement envisaged by him is quite limited in scope, both in terms of status as well as emoluments. Although he would like to accumulate sufficient money so as to start a new life someday, perhaps in a rural setting, it seems highly unlikely that more than a handful of the workers can ever realise this dream. Here is a situation involving large numbers of industrial workers who feel quite dissatisfied with their current work experience and, in addition, suffer disillusion by the future that awaits them. Since there are few alternatives to the present life, the industrial worker cannot help but feel 'trapped'. This feeling of helplessness is the third major source of tension from which the Indian industrial worker suffers and which is certain to make the climate of industrial relations turbulent.

Alienation: At this point I would like to introduce the concept of 'alienation' which seems to explain the feelings, attitudes and behaviour of the industrial worker reported here. My discussion follows Melvin Seeman's who has identified the following five dimensions of alienation: powerlessness, meaninglessness, normlessness, isolation, and self-estrangement.³ Robert

Blauner has tried to apply Seeman's classification to analyse the situation of the modern industrial worker.⁴ According to Blauner, work which permits autonomy, responsibility, social connection, and self-actualisation furthers the dignity of the human individual, whereas work without these characteristics limits the development of personal potential and is, therefore, negatively valued. Work of the latter type, in other words, leads to alienation of the worker.

We have seen in the data section of this paper how large numbers of industrial workers view the personnel policies followed by their respective managements in matters like recruitment and promotion. When such policies and practices are perceived as irrational and not quite above-board, the workers are sure to suffer from a feeling of 'normlessness'. Similarly, the discussion of work technology has also shown that work tasks by and large fail to provide sufficient discretion and control to industrial workers. This is likely to create a feeling of 'powerlessness' among the workers. Moreover, jobs which are routine and repetitive, requiring little or no judgment of the worker, will be viewed as meaningless. When the worker has to perform such meaningless tasks day-in and day-out, he is likely to suffer from a feeling of 'meaninglessness'.

Seeman's fourth dimension of alienation is isolation. One of the several consequences of rationalisation of work technology is to break down the task into many parts and then assign just one simple part to one worker. Under this method of job design, each worker is made responsible for his own individual segment of the task, which he can handle more or less independently. The worker in such a situation is deprived of any meaningful interaction with his fellow workers and is, therefore, likely to suffer from a feeling of 'social isolation'.

Any one of the four feelings described above is likely to reduce the motivation and commitment of the worker. But when a person experiences all the four feelings simultaneously, their combined effect is sure to lead to self-estrangement, which is the fifth dimension of alienation. In each of the first four cases, the person becomes an 'alien' (or, a foreigner) to the activity which is the source of that feeling. But when all the four negative feelings are combined — that is, when the worker feels powerless, when he sees his activity as meaningless, when he

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perceives the policies and practices of the management as normless, and when he feels socially isolated —, the individual is likely to become an 'alien' even to himself. In such a situation, the worker suffers from the fifth dimension of alienation called 'self estrangement'.⁵

I submit, then, that at the heart of much of the tensions and strife which pervade the industrial relations scene today lies the alienation of the modern industrial worker. I am sure none of us will find this factor listed as one of the items on the list of grievances or the charter of demands. But this in no way lessens the importance of the explanation offered here. In fact, I would like to argue that in many cases the substantive issues that are supposed to be the basis of industrial relations conflict are merely the vehicles for the expression of hostility which is essentially psychological in nature and is rooted in the alienation of the worker.

With the attainment of political freedom, the industrial worker has increased his participation in the democratic processes operating all around him. His level of education is progressively rising. Almost half of the workers grew up in cities and have been exposed to the urban way of life. The combined effect of all these forces has been a gradual rise in the level of aspirations of the worker. The industrial worker today, compared to his counterpart of an earlier day, is much more aware of his freedoms and rights and is even more anxious to protect them when they are threatened.

It would be naive to imagine that industrial workers are the only ones who are influenced by the social changes just described. The fact is that all citizens, be they students, teachers, business managers, government officials, or even family members, are affected by these global processes in varying degrees. Viewed in this light, the phenomenon of alienation among the industrial workers and the resultant tensions in the sphere of industrial relations, can find many parallels in other institutions of society. In every sphere of institutional life, men and women, young or old, seem to be engaged in an undeclared war to gain freedom and control, or to preserve it.

To someone responsible for management of industrial relations it will be no consolation to know that other spheres of society also face similar

problems. Yet, this knowledge, I believe, is essential for proper diagnosis of their own problems. One of the lessons that can be drawn by defining the problem of alienation at the macro-level is to recognise the need to bridge the 'gap' between rising expectations of people and the institutional mechanisms that frustrate those expectations.

CONCLUSION

If those connected with management of industrial relations accept the thesis advanced in this paper, there are essentially two ways in which they can respond to the situation. They may treat work alienation as the necessary concomitant of industrialisation and, therefore, consider it a 'necessary evil' or a 'price' to be paid for modernisation and growth. Or, they may treat it as an avoidable human cost to be reduced, if not completely eliminated, through imaginative programmes. Far too many people around the world — including managements and unions — seem to have gone for the first option than for the second.

Employer-employee relations around the world have worsened rather than improved over the years. There is no guarantee that with technological advances industrial relations conflicts will diminish. Technological progress has undoubtedly improved the material wellbeing of the worker; but, as we all know, material gains and affluence have not reduced the conflict between labour and management. This is because the roots of these tensions are to be found in the day-to-day experiences of the worker which, as I have tried to argue, leave much to be desired.

Management circles in some of the advanced countries have gradually begun to realise that it is no longer possible to ignore one of the basic causes of labour-management conflict — viz, work alienation. Some of them have started experimenting with newer methods of job design through such innovations as job enlargement, job enrichment, job rotation, team work, participatory democracy, and the like.⁶ But in all these experiments, managements as well as consultants have been at pains to look for increases in productivity or some other tangible results. While nobody should grudge such material benefits, I feel the real gain from these innovations is the reduction of tensions between employers and employees. It is high time we in India also make a beginning in this direction.

[This paper was presented at the Eighth Alumni Conference of IIMA on 'Management of Industrial Relations' held at Bombay on March 9 and 10.]

Notes

1. Baldev R Sharma, 'The Industrial

Worker: Some Myths and Realities', *Economic and Political Weekly*, Volume V, Number 22, May 30, 1970.

2. The project is entitled 'Development of Committed Workforce in India', and is supported by a grant from the Indian Council of Social Science Research, New Delhi.

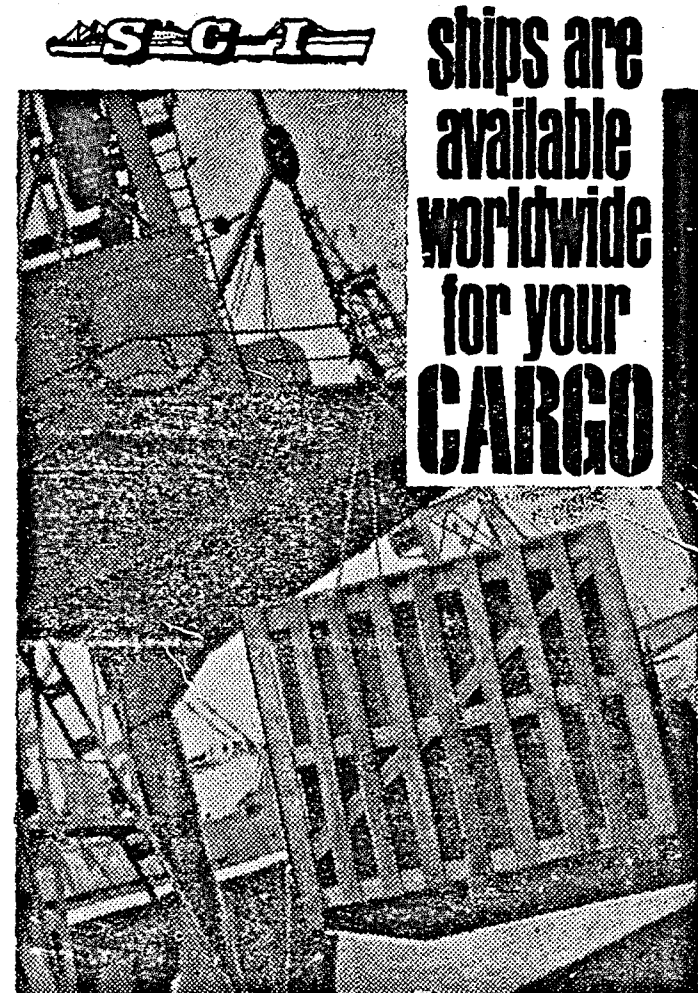
3. Melvin Seeman, 'On the Meaning of Alienation', *American Sociological Review*, Volume 24, 1959.

4. Robert Blauner, 'Alienation and Freedom', Chicago: University of

Chicago Press, 1964.

5. The interpretation and application of the five variants of alienation, as presented here, are my own and these may not always tally exactly with those of Seeman and Blauner.

6. For an illuminating account of such attempts, see Richard E Walton, 'How to Counter Alienation in the Plant', *Harvard Business Review*, Volume 50, Number 6, November-December 1972, pp 70-81.



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HISTORY AND OBJECTS OF THE COMPANY :

The Company, promoted by Sri D.N. Agrawal, was incorporated on the 15th December, 1971, in the State of Uttar Pradesh under the Companies Act, 1956, and obtained the Certificates of entitlement to commence business from the Registrar of Companies, Uttar Pradesh on the 3rd February, 1972. The main objects of the Company, inter alia, are to manufacture, produce, export, import, trade and deal in, distribute, stock, buy and sell sheet and safety glasses toughened, plate, flat looking, window, decorative and other type or types of glass required in or used for industrial, domestic, household, building, furniture, electric fittings, transport vehicles and other purposes.

PROPOSED ACTIVITIES :

The Company proposes to set up a plant for the manufacture of sheet glass from 3 mm. to 6 mm. thickness through P.P. G. process with an installed capacity of 5 million square metres per annum. In this respect, the Government of India has granted an Industrial Licence to the Company bearing No. L/33(2)/9/NU/72-LI(II) dated 7.12.1972.

The Company will import plant, machinery, equipment including spares of an approximate value of Rs. 35.77 lacs from West Germany and U.K. In this respect the Company has obtained an Import Licence bearing No. P/C/2065022/S/IB/46/H/35-36/CGIV dated 27th January, 1973, for the C.I.F. value of Rs. 35.77 lacs.

Hugo Knoblauch of West Germany will supply drawings for pits, balconies and general layout plan of the whole melting furnace. Subject to the approval of Central Government and Reserve Bank of India, they have also undertaken in their letter dated 26.11.71 addressed to Sri D. N. Agrawal, the Promoter, to send their technical specialist to supervise the erection of three P.P.G. machines and another specialist for the P.P.G. process as adviser to start the production.

It is expected that about 60% of the total production of the company will be purchased by Companies including Hindusthan Safety Glass Works Private Ltd., and firms which are now controlled by Sri D.N. Agrawal. In view of this, the Directors do not anticipate any difficulty in marketing the products of the Company and are of the opinion, in the absence of any unforeseen circumstances, the company should be able to pay a maiden dividend to the holders of Equity Shares within a reasonable time.

LOCATION OF THE INDUSTRY :

The Company's factory will be located at Iradatganj, Dist. Allahabad, Uttar Pradesh. The Company has already purchased more than 4.14 Hectares land adjoining Iradatganj Railway Station. The location selected is considered to be very suitable for the Sheet Glass Industry.

APPLICATION TO THE STOCK EXCHANGE :

Applications have been made to the Calcutta Stock Exchange and Bombay Stock Exchange for permission to deal in and for

quotation for the Equity Shares of the Company.

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Industrialist
4, Leonard Road, Calcutta 700022

SRI ANIL BIHARI GANGULI
Management Consultant
8/1, Chappel Road, Calcutta 700022

SRI VIDYA BHASKAR CHATURVEDI
Chartered Accountant
60, Bentinck Street, Calcutta 700001

SRI KASHINATH RAGHUNATH DAMLE
Administrator
'Anand Darshan'
13, Dr. Gopal Rao Deshmukh Marg, Bombay 400026

SRI HENRY JOSHUA SILVERSTON
Solicitor
4, Lord Sinha Road, Calcutta 700016

SRI BASUDEV SOMANI
Industrialist
Shreeniketan, 86A, Netaji Subhas Road, Bombay 400002

SRI PREM RATAN RATHI
Industrialist
F-7A, Hauz Khas Enclave, New Delhi 110016

SRI PARMANAND AGRAWAL
Industrialist
2, St. Georges Gate Road, Calcutta 700022

SRI NARENDRA KUMAR AGRAWAL
Industrialist
4, Leonard Road, Calcutta 700022

SECRETARY

SRI S. C. GHOSH, Chartered Secretary,
'Uttamayan', 3, P. K. Guha Road, Calcutta 700028

REGISTERED OFFICE

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ADMINISTRATIVE OFFICE

2, St. Georges Gate Road, Calcutta 700022

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AUDITORS

THAKUR VAIDYANATH AIYAR & CO.,
Chartered Accountants
2, India Exchange Place, Calcutta 700001

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25,000 9.5% Cumulative Redeemable Tax free Preference Shares of Rs. 100/- each (Free of Company's Tax but subject to deduction of tax at source at prescribed rate)	Rs. 25,00,000
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3,70,000 Equity Shares of Rs. 10/- each	Rs. 37,00,000
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Paid up :

700 Equity Shares of Rs. 10/- each fully paid subscribed by the Subscribers to the Memorandum of Association of the Company in cash	Rs. 7,000
3,69,300 Equity Shares of Rs. 10/- each paid up Rs. 5/- per share, subscribed by the Promoters, Directors, their relatives, friends, and Associates in cash.	Rs. 18,46,500
	Rs. 18,53,500

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PRESSMAN

World Bank's Experience with Development Finance Companies

William Diamond
Ravi Gulhati

It is much easier to evaluate the performance of an individual development finance company (DFC) than that of the entire group of DFCs associated with the World Bank. The heterogeneity of this group of DFCs and the diversity of their environmental and institutional characteristics makes generalisations about their performance very difficult. So also does the shifting posture of the World Bank, whose own basis of evaluation has changed.

This paper makes the effort to reflect on some facts which seem unquestionable, and to make some generalisations from them.

THE interest of the World Bank Group (WBG) in development finance companies (DFCs) began in 1950. The network of DFCs associated with the WBG increased gradually to 45 at the end of December 1972. Roughly two-thirds of WBG lending to the industrial sector during the sixties was channelled through these intermediate credit institutions. Altogether, the Bank, IDA and IFC committed, till December 31, 1972, the equivalent of \$1.7 billion in the form of loans, credits, and equity.

The Bank's relationship with DFCs is not confined to the provision of finance. The Bank also extends technical assistance, helps recruit managerial and senior staff, trains DFC personnel and supplies selected categories of information on a continuing basis to the development banks associated with it. More fundamentally, the Bank has played a key role in the initial establishment of some DFCs and in the reorganisation of others. In at least 16 cases, the WBG can be said to have influenced significantly the basic structure of the institution.

Why is the Bank so profoundly interested in DFCs? There are essentially two reasons. First, these intermediaries are convenient retail outlets through which the Bank can assist a broader cross-section of industrial enterprise in the developing world than would be feasible through a direct financing of projects. Direct financing works well in the case of very large steel, fertiliser, or pulp and paper plants. But direct financing by the WBG would be prohibitively expensive — in financial terms and in terms of staff time — for projects whose total cost is below, say, \$5 million. And yet, the cost of the bulk of manufacturing investment in most developing countries is well below this level. Without recourse to intermedia-

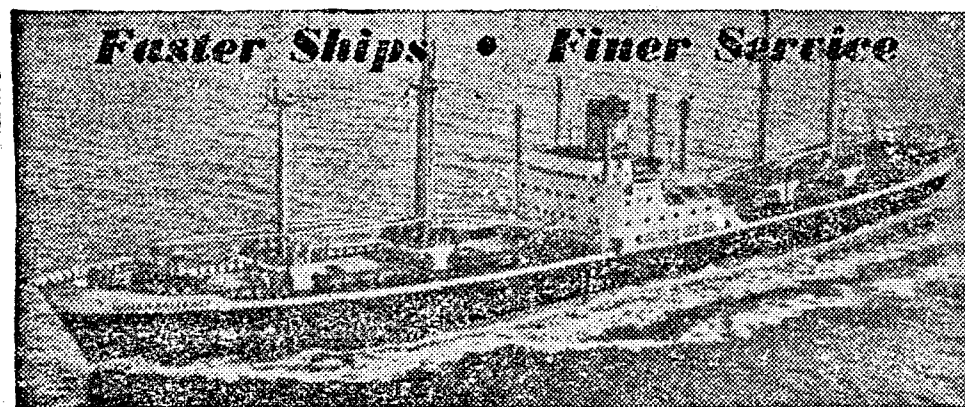
ries, the WBGs activity in the industrial field would be clearly biased in favour of very large-sized projects. Closely related to its wish to penetrate more deeply and more broadly into the industrial sector has been the Bank's wish (attenuated with the passage of time, but not eliminated) to promote private investment and private enterprise. As it happens, large-scale enterprise in developing countries is generally public in ownership and control; small- and medium-sized enterprise is overwhelmingly private.

The second reason for the Bank's interest in DFCs goes beyond the matter of administrative convenience. It concerns the basic concept of the development process and how it can be stimulated. Methodologies change in identifying the key to accelerating economic progress in underdeveloped countries. Once it was (and among some, it still is) considered that the injection of external capital is the key. At other times (and among other groups) emphasis has been placed on the inflow of technical assistance. Clearly, both are important elements in the picture. However, there is more to development than capital accumulation and knowhow. Economic development involves basic changes in society and in its institutional framework. DFCs are one element in the complex of institutions and mechanisms through which a society mobilises itself to achieve modernity. It is in the context of such institutions that professional staffs are built, decision-making skills are acquired and qualities of leadership are identified. It is only when expansion in investment, output, and employment, proceeds side by side with institutional and entrepreneurial growth that the development process is likely to become firmly rooted in a society.

Thus, the Bank considers DFCs not only instruments for transferring capital and knowhow to a large number of small and medium entrepreneurs, but also as permanent institutions capable of adapting to, and modifying, the environment and of devising indigenous solutions to local problems. How to tap household savings in the context of prevailing family mores? How to influence corporate savings decisions in the light of business practices, ownership patterns and the tax situation? How to win the confidence of government authorities and thereby obtain public funds for development purposes? How to influence insurance companies, commercial banks, and other financial entities to expand the volume of industrial finance? How to persuade potential investors to examine their projects critically? How to protect them from the skilful salesmanship of foreign suppliers of machinery anxious to sell their wares? How to find suitable foreign partners for local businessmen, and how to support local businessmen when they negotiate with large, experienced multinational corporations? These and many other questions need to be answered. To answer them well requires detailed knowledge of the local scene and good judgment distilled from long experience. A good DFC should provide that knowledge and judgment.

BASES FOR EVALUATION

The group of DFCs associated with the Bank is heterogeneous. Some have barely started; others are in their teens and four have celebrated their twentieth anniversaries. Some are operating in economies which are still non-industrial in character; others are in semi-industrial countries. Some are wholly government-owned while others are entirely



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private in ownership and control. Their diversity is the result of not only structural differences related to their age and ownership patterns and to the stage of development of the economies in which they operate, but also of differences in management style and policy orientation.

By what standard should they be evaluated? The performance of DFCs may be assessed by several standards.

- First, there are the objectives and policies of the DFC itself, as laid out in its Articles of Association (or charter of organic law), in its formal policy statement (if there is one) and in periodic Board decisions. In this category should be included the objectives of the shareholders, if the DFC is privately owned. The first approach to an evaluation of performance involves a comparison between those objectives and what the DFC has in fact done in a particular period of time.
- Performance may also be assessed against the policy objectives of the government of the country in which the DFC is located. The objectives and policies of DFCs associated with the WBG are always congenial to the government at the time the DFC is established and at the time the WBG begins to deal with it. But governments and their policies change, and divergences (and hence strains) may develop between a DFC and the government, unless the DFC is able to adjust to the changing situation.
- A third standard against which performance may be assessed, is the WBG's own policy aims, i.e. the expectations about a DFC held by the WBG. The WBG makes decisions as to whether to support the establishment of a DFC and whether to continue to provide it with financial resources in the light of the WBG's priorities and lending programme in the country. It can be expected to do so only if the DFC's performance conforms to the Bank's general objectives and policies.

The three viewpoints, though distinct, are inter-related. Nevertheless, this paper is concerned primarily with the third: conformity with the WBG's objectives and policies. Discussion of the performance of DFCs from this viewpoint is not easy. For the Bank's expectations and policies with respect to DFCs have shifted during the past two decades. One example is the Bank's policy regarding the ownership of DFCs. Throughout the fifties and most of the sixties, the Bank insisted on financing only privately-owned development banks which financed productive enterprises in the private sector.

This posture reflected a strong belief in the effectiveness both of private management of DFCs and of the desirability of supporting private entrepreneurship and mobilising private technical and financial resources for industrial development. In 1968, the Bank's policy changed with regard to insisting on private DFCs; it decided that government-owned or controlled DFCs might be necessary and that they might play a valuable role under certain conditions. In 1971, the Bank decided that, because government policy and objective circumstances in some countries made private enterprise unlikely, it would not insist that the bulk of a DFC's business be with private enterprises. Bank policies will no doubt continue to change — not only in the light of its operational experience with DFCs and with its member countries, but also in the light of the Bank's changing conception of its own role in economic development.

It is much easier to evaluate the performance of an individual DFC than of the group of DFCs associated with the WBG. The heterogeneity of the group of DFCs associated with the WBG — the diversity of their environmental and institutional characteristics — makes generalisations about their performance very difficult. So also does the shifting posture of the Bank, whose own basis of evaluation has changed. This paper makes the effort to reflect on some facts which seem unquestionable, and to make some generalisations from them.

Some Accomplishments

SURVIVAL AGAINST ADVERSITY

To carry out their missions effectively, DFCs must survive the turbulence in their environment and at the same time keep in step with the basic thrust of national change. By 'turbulence' we mean instability in the political, social or economic realm which reflects temporary aberrations or erratic movements as distinct from the more enduring elements in the process of national development. Conditions in many countries in the developing world have been unstable in this sense. International war, civil war, constitutional breakdown, changes in government, traumatic changes in exchange rates or other policies have figured in their history. These crises have added greatly to the normal problems of DFCs and in some cases have endangered their viability. It is therefore significant that, practically without exception, the DFCs associated with the WBG have managed to

weather economic and political storms. Perhaps this resilience was the result of their basically sound financial structure or perhaps it reflected the general acceptance of their objectives; it must certainly have been in part the result of the political and managerial skills of their chief executives.

It is notable that most of the DFCs associated with the WBG have not merely survived. They have also enjoyed continuity of management, or have learned to change management in an orderly fashion; i.e. policies and procedures have become sufficiently well-established to assure institutional stability despite changes in management. In its 21 years of life, management of TSKB (Turkey) has remained essentially the same, although two different men have from time to time held the key position. The style and quality of management of ICICI (India) have also remained essentially the same, despite a crucial change, a few years ago, in the composition of ownership. Only untimely death has forced changes in management in CDC (Taiwan), but so far these have not infringed upon policy or management method. Many of the DFCs still have their original chief executive officers; most of the DFCs older than five years have had the same chief executives for at least five years. This notable stability may be attributed to the development of an understanding among shareholders and of an *esprit de corps* among board members about the nature of the DFCs. It also demonstrates the resilience, leadership and effectiveness of DFC managers.

Survival is, of course, an accomplishment. However, while it is a necessary condition for a DFC to fulfil its mission, it is hardly a sufficient one. Similarly, stability of management is generally associated with good institutional performance but there is no necessary causal link between the two. It is quite possible for a DFC to survive and to have the same executive head for a decade or more without creating a distinguished operational record. Matters other than survival and stability are also important.

STAFF DEVELOPMENT

DFCs must recruit, train, and deploy a staff of engineers, financial analysts and other professional. A competent and well-organised staff with good morale is a critical resource for carrying out the normal tasks and the innovative functions of these institutions. It has not been easy for DFCs to acquire this resource in the context of

the acute scarcity of high-level manpower characteristic of many developing countries. What complicates the situation is that people who have the required skills and outlook are precisely the kind of people who are sought by private firms and government agencies for important positions. Many DFCs have had to recruit fresh graduates from the university and to groom them for the job. They have made use of national and international training facilities and at least one (PDCP in the Philippines) has established an institute for training its own staff. In some DFCs, foreign advisers have played an important role in upgrading the quality of local staff. Some of the older institutions have managed to acquire a team of professionals who are more than a match for their counterparts in government ministries, planning offices and the like. In fact, on a number of occasions an experienced staff member of a development bank has left the institution at the request of the government to undertake an important official assignment. A number of DFCs have helped train staff members of other younger development banks, in the spirit of common endeavour. It is a mark of the success of some DFCs that they have become sources of skilled manpower for the public as well as private sectors. Professional teams, assembled in these senior DFCs, are a strategic asset which have yielded, and should continue to yield, an important pay-off both to the DFCs themselves and to the community.

EXPANSION OF ACTIVITY

DFC accomplishment can also be seen in the growth of their portfolios. Many DFCs have rapidly expanded the volume of their commitments. The rate of growth during 1966-70 in 17 DFCs exceeded 20 per cent per annum. In some instances, this growth represented the initial burst of operations starting from a very small base. In other DFCs there was a longer history of very rapid growth going back to the early sixties. Seven institutions had crossed the \$200 million mark in terms of cumulative commitments. Altogether, the total financial commitments made by DFCs associated with the Bank amounted to the equivalent of \$729 million in 1970. About 150 commitments were for amounts exceeding \$1 million each, and nearly 3,000 were for amounts smaller than this sum. Unfortunately, the data needed to compare growth in DFC commitments, systematically with expansion of total manufacturing investment in the same countries, are not readily available. There is reason to believe,

however, that many of the DFCs were not cashing in on a rapidly expanding manufacturing sector but were taking over the financing function from other institutions and providing funds on more appropriate terms.

Yet, despite the record of growth in the sixties, most of the DFCs remained relatively small in terms of the proportion of total industrial investment financed by their disbursements. Generally speaking, DFC disbursements made up somewhere between 5 per cent and 25 per cent of industrial investment; most of the DFCs were at the lower end of the range. This small quantitative role was a reflection of the fact that capital formation in industry is financed to a large extent by plough-back of profits within the firm. On the other hand, some DFCs were making an appreciable contribution to the flow of institutional industrial finance on a medium-or long-term basis. This was particularly true of IDBI (Israel), BNDE (Morocco) and SNI (Tunisia). Also, these and other DFCs occupied a prominent place in the financing of the import component of investment. ICICI was an important supplier of foreign exchange for private sector industry in India, as was TSKB in Turkey. A growing role is not to be expected in all cases; a declining role is not necessarily a sign of weakness. Indeed it may be argued that there is merit in creating competitive institutions, or in spinning off specialised institutions, when a DFC begins to have a very large quantitative role in the economy.

INNOVATION AND PROMOTION

The record of DFCs should be judged not by their financial contribution but also by their impact on the thinking, working habits, and attitudes of their clients and of the business community generally. The major innovation development banks have tried to introduce is the technique of project formulation and appraisal. The idea that investment proposals should be spelled out in considerable detail (engineering blueprints, production schedules, financial projections) was a new one in many business communities. Many industrialists had never before been exposed to questions of this kind and DFCs faced considerable resistance when they tried to obtain answers. In some cases, industrialists did not have the answers, simply because they had not thought about the proposed investment systematically or because they were unfamiliar with modern accounting methods. In other cases, industrialists felt that, by asking all these

questions, the DFC was casting doubt on their projects, undermining their credibility, and threatening their standing in the business community. Still other industrialists feared that, by passing on detailed information to the DFC, they would be revealing business secrets to potential competitors and financial information to the tax collector. Despite these difficulties, many DFCs have succeeded in bringing home to their clients the virtues of careful project formulation and appraisal. In doing so, they have helped industrialists to overhaul accounting systems, to analyse systematically the implications of proposed business decisions and to apply modern forecasting techniques. They have managed to win the confidence of their customers and to establish a relationship of mutual respect.

These innovations in business behaviour cannot be attributed solely to the efforts of the DFCs. On the contrary, they were in any event being brought on by the increasing technical complexity of modern industry and by the associated demand for more sophisticated management. Moreover from every country young men were going abroad for study of the various disciplines that make up business management, and schools of business management were being set up in many developing countries. Nevertheless, DFCs were in a good position to give a push to these new trends; for, having command of often scarce financial resources, they were able to tie adoption of new techniques to the provision of finance.

Some of the DFCs, but regrettably very few, have played an entrepreneurial role by promoting new enterprises. Some, too, reacting to the demands of economies growing more complex and sophisticated, have begun to promote the establishment of new financial institutions and mechanisms.

FINANCIAL VIABILITY OF DFC CLIENTS AND DFCs

Through the application of project analysis, DFCs and their clients were able to ascertain whether or not proposed investments made sense from the standpoint of technical feasibility, business risks, and financial profitability. This systematic screening partly explains why the bulk of industrial and other investment associated with Bank-supported DFC operations has proved to be financially viable. (Another factor, which must not be forgotten, is that governments often established conditions in which failure was difficult: low

interest rates, other grants and concessions, little or no external competition, little internal competition.) The record shows that most DFC clients were profitable and that there were relatively few cases of structural failure. This means that at least gross errors in investment were avoided. Money was spent, as planned, on construction and equipment. Factories did not collapse; machinery was found to be suitable for the planned operation; there was enough money to install the fixed assets, to purchase materials and to pay wages; once production started, the goods could be marketed. These happy sequences should be compared with many cases of infructuous investment resulting from the attempt to implement half-baked projects in a haphazard manner.

The financial profitability of firms which borrowed from DFCs associated with the WBG is borne out by the satisfactory collection experience of these intermediaries. By and large, they have succeeded in rolling over their loan portfolio and serious arrears have seldom assumed dangerous proportions. If it is agreed that the large expansion in the financing provided by these DFCs is a considerable achievement, then the good collection record should be viewed as an even bigger accomplishment. It means that these DFCs have conducted business in the framework of financial discipline.

A satisfactory collection experience is only one element in the generally strong financial position of most DFCs associated with the WBG. This is not the place to survey the mix of financial policies followed by DFCs. Suffice it to say that the DFCs associated with the WBG have behaved prudently. They have avoided overextending their borrowing capacity, have satisfactorily managed their protective reserves, and have followed well-considered dividend policies. In some cases, the DFCs enjoyed enough financial success, or gave sufficient promise of adequate returns, to enable them to obtain additional funds from private sources.

Weaknesses in the Record

The strong financial showing of DFCs and the financial success of their clients are comforting. But this is only a limited demonstration of good performance. At least three important questions might be raised about the performance of DFCs. First, profitability may be a misleading index; for the profitability of DFCs might be based as much on the incentives extended

to them by their governments and on the fact that they were dispensing a severely rationed commodity (i.e. foreign exchange loans on a medium-or long-term basis) as on managerial and technical acumen. Second, in the case of their clients, the financial returns earned by DFCs might reflect the hot-house atmosphere in which industrialisation sometimes takes place, masking inefficiency in production through high protection and other subsidies. Thirdly, the question can be raised whether the activity of DFCs has resulted in accentuating the inequalities of income and wealth which are characteristic of many of the economies in which they operate.

DEPENDENCE ON OFFICIAL FUNDS

The list of incentives extended by governments to DFCs is a long one: contributions to share capital, sometimes subordinated to other equity, tax holidays or exemptions, interest subsidies. However, perhaps the most important incentive is loans at interest rates well below the market price of capital. Such loans constituted more than 20 per cent of total resources deployed by 23 DFCs upto 1970; in five cases, the proportion was nearly 50 per cent or more. Most DFCs associated with the Bank Group in Asia and in Africa were given, when they came into existence, an injection of free or cheap, and subordinated, loan capital. The WBG recommended this (indeed, it was often a *sine qua non*) as a one-shot stimulus, comparable to temporary protection or tax-relief given to infant industries.

In addition, governments have facilitated greatly the DFCs' task of raising capital from official international and bilateral sources, by guaranteeing these loans and sometimes by providing protection against foreign exchange risk. In more than a dozen cases, cumulative borrowing from the WBG constituted more than 20 per cent of the total resources available. Other official sources — the US AID, the German KfW, the French Caisse Central, the regional development banks (IDB, ADB, EIB) — occupy a prominent position in the overall resource picture of other DFCs.

Altogether, the vast majority of DFCs associated with the WBG remain heavily dependent on official funds, both national and international. Such funds account for 80 per cent or more of total resources available to 16 DFCs. Some of the institutions with this resource pattern have just got started, and the picture is, therefore, not surprising and need not cause concern.

But the group also includes some of the largest, the most experienced and the most influential DFCs associated with the Bank. The fact that these well-established institutions have been either unwilling or unable to reduce their reliance on official finance by mobilising funds on market terms is disappointing. A device which the WBG had proposed as a temporary stimulus has tended to become a way of life.

Many DFCs were operating within a government policy framework which closely circumscribed the opportunities for tapping private savings at home and abroad. Many governments remain wedded to a policy of raising savings through the budget, through government borrowing at relatively low interest rates, and through a system of credit control as well as statutory requirements. Rightly or wrongly, these governments believed that development programme ought to be financed on the basis of low interest rates, that the adverse impact of these low rates on allocation decisions could be avoided through administrative controls, and that voluntary savings were not responsive to interest rates. The foregoing notwithstanding, the policy climate in several countries was sufficiently permissive to allow DFCs some room for manoeuvre. Arrangements might have been worked out in some cases to raise funds on market terms. DFCs as a group have not lived upto expectations on this score: they have not showed significant capacity to devise resource mobilisation schemes and they have made little attempt to influence government policy. DFCs have naturally accepted the flow of concessional government finance. They have taken the easy route which, to be sure, was at least in their short-run interest, rather than face the pressure of living in the market.

EFFICIENCY OF DFC PROJECTS

The second point, that the financial success of DFC clients is no assurance that these enterprises have yielded adequate developmental benefits, reflects a growing concern about the industrial policies of many developing countries. Even the ardent advocates of the policy of protection and import substitution have expressed dismay at the results achieved during the past 20 years. For example, Raul Prebisch — the former Secretary-General of ECLA and the first Secretary General of UNCTAD — wrote in 1951 that an import substitution strategy was necessary to assure the development of primary exporting countries operating on the periphery of

the world economy. By contrast, his recent writings tend to be much more circumspect and much more conscious of the limitations of protectionist strategy. Our associate, Bela Balassa, has spelled out the imperfections and the costs of pursuing such policies through an examination of the situation in seven countries. [The structure of Protection in Developing Countries, Baltimore, 1971 page 72.] His point is not so much that import replacement is a bad idea or that a policy of protection is objectionable. He is emphasising, rather, that in reality the measures taken correspond to no rational design and that the structure of effective protection tends to be arbitrary. Frequently the magnitude of incentives enjoyed by a firm is unintended, and reflects simply the piecemeal and chaotic character of the decision-making process.

Given these distortions in the cost-price-profit mechanism in many developing countries, financial calculations are not a reliable guide for assessing the merits of projects from the standpoint of society. High profits may be the result of the fact that a ban on imports of the goods produced by the project results in an abnormally high domestic price. The project may be grossly inefficient in design, the management may be slack, the raw materials used in the project may be inexpensive—and yet, the enterprise may earn attractive profits. On the other hand, a project which is financially weak may turn out to have considerable developmental merit, if the sale price of its output is close to the international price, while the raw materials it must purchase have to bear high tariff and/or excise duties.

Little is known at present about the economic characteristics of investment financed by DFCs. We do know that the great majority of these institutions do not, or at least did not, analyse the social costs and benefits of projects before deciding to finance them. Therefore, we cannot dismiss the fear that DFCs may be supporting projects which are financially attractive but which contribute to wasteful import substitution. Even projects which are export-oriented are not wholly immune to the criticism. Few projects cater exclusively to foreign markets; exports can be made at a loss, provided this is a condition for operating in a highly lucrative home-market. Some governments have balanced the incentives on the side of import replacement by a set of subsidies for exports.

It would be instructive to carry out a systematic cost-benefit analysis of projects that constitute the portfolios of

DFCs. We can only speculate about the results of such an analysis. It will, no doubt, identify projects of questionable merit which depend heavily on the government's policy framework for their financial viability. However, we would be very surprised if the analysis demonstrated that economic returns on DFC projects were negative or low all across the board. What we expect to find is a scatter of developmental returns—some high and others low. This is in fact the preliminary result of the first of a series of intensive examinations which the WBG is making of the portfolios of some of the DFCs associated with it. In that first case, we concluded that the large majority of projects financed by that DFC have economic rates of return in excess of 30 per cent. Even when account is taken of the minority of projects with unattractive economic returns, it seems most unlikely that the aggregate rate of return for the portfolio as a whole is lower than about 25 per cent and it may well be considerably higher.

An ex-post analysis of the economic pay-off of DFC financed projects will be valuable. The question arises whether such analysis should also be performed before DFCs take operational decisions on specific loan requests. If the effort is made to evaluate projects in this manner and if there is a wide divergence between financial and economic returns, how should DFCs react? They can hardly be expected to support economically attractive projects which are financially untenable; indeed the likelihood is that they will receive few applications of this kind. The real dilemma will arise in cases where financial returns are unsatisfactory. On this more later.

IMPACT ON INCOME DISTRIBUTION

Thirdly, there is the question whether DFC investments have enhanced, or at least have not counteracted, the skewed income distribution generally prevailing in developing countries. Again, it is important to appreciate that this concern reflects a recent change in thinking about development policy. Not so long ago the emphasis was on building a momentum in investment and production and on doing this as efficiently as possible. It did not matter whether the primary participants in this process were big or small industrialists, whether they were located in the relatively developed capital city or in the hinterland. It was expected that there would take place in due course a diffusion of income throughout the economy. This automatic "spill-over" could be strength-

ened through the fiscal mechanism; taxes and public expenditures could redistribute incomes as desired by government. The experience of the past 20 years has not borne out this view of the political and economic process in many developing countries. Inequality of income and wealth seems to have increased both in terms of personal and regional distribution. Therefore, according to the new view, "efficiency" should be the only criterion for planning investment and production; considerations of income distribution must be introduced at the investment planning stage.

How does this new perspective relate to DFCs and their operations? These financial intermediaries are active in the modern industrial sector consisting of relatively large and relatively capital intensive units. DFCs were structured and encouraged by governments and by the WBG to deal with such enterprises. Inevitably, their operations have had immediate and direct benefit for, at best, the upper quarter of the population in the income pyramid. In this sense, the operations of these DFCs may have accentuated the dualism characteristic of many under-developed societies. DFCs associated with the WBG are not equipped to grapple directly with the problems of the rural poor or the destitute in urban areas; a very different kind of institutional mechanism would be necessary to deal with these groups.

Nevertheless, even within the relatively narrow sphere of DFC operations, the distribution question does arise. It may take the following forms:

- to what extent do DFCs facilitate social mobility by helping new entrants into the entrepreneurial class?
- to what extent do they help small industrialists to expand their operations and to rise in the social hierarchy?
- to what extent do they promote economic activity in the relatively under-developed regions of the country?
- to what extent do they assist local industrialists in negotiating with foreign parties and thus increase the chances of securing equitable arrangements?
- to what extent do they influence the factor proportions incorporated in project design so as to raise the share of wage income in total value-added?

On the basis of available information, it is not possible to assess with assur-

ance the performance of DFCs in respect of these five questions. New analysis is required to sharpen our appreciation of DFC performance in this area; the intensive examination of the activities of some of the DFCs associated with the Bank, referred to earlier, should in due course help provide answers. Nevertheless, it is probably fair to say that with respect to these questions the majority of DFCs have played a relatively passive role. They have "responded" to loan applications, and most of these came from well established business houses in big industrial centres rather than from the ranks of potential entrepreneurs or small-scale industrialists or sponsors in backward regions. DFC policy orientation and management style, both much influenced by WBG thinking, have not encouraged dealings with new or small businessmen, located outside the main centres and have no doubt discouraged such businessmen from approaching the DFCs. For example, a number of DFCs do not lend for amounts smaller than a stated sum, which is generally much larger than is relevant to small-scale enterprise. Many DFCs are reluctant to extend term loans in local currency. Such a posture has a special significance for borrowers who may need to purchase locally manufactured capital goods rather than imported items. DFCs naturally attach much importance to the financial strength of a borrowing firm, for a healthy cash flow from the firm's present operation reduces substantially the risk undertaken by the DFC in financing an expansion. This is a sound business reason for DFCs to prefer lending to well-established and already profitable concerns rather than to small or new ones.

DFCs have not done much in the way of "promoting" projects, particularly projects involving small or new entrepreneurs. One reason is that such promotional work involves high administrative costs for the DFC per unit of asset creation. It is also likely that DFC assets in the form of loans to such groups will be much more risky than the rest of the portfolio. There is no financial compensation for these extra costs and risks, as most DFCs associated with the WBG charge a standard interest rate to all borrowers. Consequently, the search by the DFC for borrowers in this category would be unrewarding financially. This has been a crucial consideration underlying both the attitude of the WBG and that of the DFCs associated with it. Their premise has been that DFCs should aim at becoming "financially sound" institu-

tions with access to private capital markets and that governments ought to find other mechanisms for dealing with less well-established or small-scale business enterprise and with the development of the more backward regions of the country.

This premise has some validity. Nevertheless, DFCs are going to have to pursue policies designed to counteract the maldistribution of income and wealth, if they are to retain credibility as national development-oriented institutions. If DFCs were entirely private institutions whose operations were not influenced by subsidies or government privileges of any kind, this might not be necessary. But very few fall into that category. As mentioned previously, governments have subsidised and supported DFCs in a variety of ways. In turn, lending rates charged by DFCs are heavily influenced by the low-interest rate structure established by governments. New and small entrepreneurs which lack access to DFC finance must raise funds at very high interest rates from the unorganised money market, whenever official programmes for dealing with such groups are inadequate. These groups cannot therefore share in the privileges granted to the established industrialists through DFCs. Furthermore, lack of access to DFC finance frequently means that new or small entrepreneurs cannot share in the subsidy to procedures of industrial goods provided through the system of protection against imports.

Suggestions for Improving Future Performance

One point which stands out in the preceding discussion is the sheer impossibility of evaluating the developmental performance of a DFC without discussing the government's policy framework. This is true whether one is concerned with raising resources, using them for sound projects or improving the distribution of income and wealth. No doubt financial intermediaries can improve their developmental impact somewhat by carrying out internal reforms but really big leaps forward will not be possible except in the context of major changes in government policy. What constitutes appropriate government policy towards a DFC is also a large question. Much depends on a government's perception of its objectives, and how best they can be achieved. Governments which are disenchanted with the functioning of the market mechanism may decide to expand the network of physical controls and to rely

heavily on both productive enterprises and financial intermediaries in the public sector. Other governments may wish to substitute price signals for licences or quotas and to tap the initiative of private enterprise for achieving national objectives. In principle, it should be possible to devise taxes and subsidies so that, when a DFC maximises profit, it is also maximising social surplus. In practice, very little research has been done in this field and even less experimentation. Subsidies extended to DFCs by governments have been rather general in character; they have failed to bridge the gap between private and social welfare. Designing a more purposive set of penalties and incentives should be high on the agenda of development research.

In the rest of this paper, we shall focus on three aspects of the policy and procedures of DFC themselves: the role of economic analysis, an approach to administrative costs, and the need for continuing critical self evaluation.

ECONOMIC ANALYSIS

Few DFCs have had the capacity to conduct economic analysis during the past two decades. The great majority did not have a very clear idea of either the techniques or the meaning of economic analysis. No wonder then, that the appraisal reports of DFCs seldom devoted much space to this subject; usually one found the statement that a project fell within a branch of industry assigned priority in the national five-year plan, or projects were justified by saying that they would generate x new jobs or would expand exports by y . There was little appreciation that such absolute measures of economic benefits were too crude to be useful and that it was necessary to compare benefits with costs to obtain meaningful results. Only relatively recently have a few of the DFCs associated with the WBG acquired some of the basic tools necessary for evaluating the economics of projects.

The backwardness of many DFCs in economic analysis is scarcely surprising. The technical expertise required for such work is difficult to find. The position is no different in other financial intermediaries, most of the private business sector, or the vast majority of government ministries and planning departments. Indeed, even in the WBG debate continues on how best to determine the economic merit of industrial projects. It is seldom appreciated how small is the world-wide stock of professionals able to evaluate projects from

an economic standpoint in the context of developing countries. Moreover, DFCs have rarely felt the need for economic analysis. For, whether privately or publicly owned and controlled, they have felt obliged to accept the economic decisions of governments. The common view is that it is for the government to decide whether a project has priority from an economic standpoint; indeed, as a practical matter, many DFCs cannot finance projects unless they have obtained a licence or a permit or a certificate from some government agency. Why, then, should DFCs acquire capability in economic analysis?

Our view is that DFCs need a capability in economic analysis in order to play their double role as financial institutions and development agencies. In the former capacity, they are interested in building a balanced portfolio which avoids excessive exposure to various kinds of risk. One such category of risk, which has not received much attention despite its importance, is the risk of reversal in government policy which jeopardises the financial viability of certain projects. Devaluations and dismantling of quota restrictions take place swiftly, with dramatic repercussions on the liquidity, profitability and debt-servicing capacity of industrial firms. It is important, therefore, for DFCs to recognise explicitly and precisely the link between the financial condition of their clients and specific government policy instruments. This knowledge can be acquired through economic analysis of projects — during both appraisal and supervision — and should enable DFCs to avoid excessive exposure of their portfolios to the risks arising from the instability of government policy. This knowledge will also allow DFCs to devise contingency plans to facilitate the adjustment of their clients to changes in government policy. Sophisticated economic analysis might even produce a model to facilitate systematic study of the impact of alternative government policies on the cash flow of different categories of projects in the DFC portfolio.

DFCs associated with the WBG are not simply financial entities geared to the objective of profit maximisation, subject to a risk constraint. They are also committed to the goal of economic development. Their policy statements and Articles of Association voice this concern explicitly, although this general commitment has not always been translated into working procedures. In fact, they are not likely to be able to do so till they strengthen considerably their

economic staff. Once this happens, DFCs are in a position to perform three developmental functions: (a) help clients improve the economic design of projects; (b) reject projects with unacceptably low economic returns; and (c) contribute to the process of reviewing and reformulating government economic policy.

DFCs are already advising clients on the engineering and financial aspects of project design. If they have the necessary professional skills, DFCs can extend their advisory function to the economic sphere. The task of the DFCs in this context is to review the main features of the proposed project—capacity, product-mix, choice of technology, factor proportions — and to identify modifications which would increase efficiency. Some of these modifications will enhance the financial attractiveness of the project and should be acceptable to the client. For example, analysis may reveal that the sponsor will improve his financial prospect by reducing the diversity of the product-mix, increasing production runs for the remaining items and devising plans to sell a part of his output in foreign markets, taking advantage of government incentives. However, other modifications may make sense from the national economic standpoint but, owing to serious distortions in the cost-price structure, result in lower profitability for the firm. These changes in project design will encounter resistance from the client and DFCs will not wish to insist on these modifications. But they may take up these aspects with government in the context of a review of national economic policies.

No one will question a DFC's assisting its clients to improve project design from the economic standpoint. However, rejection of projects with low economic returns may leave a DFC with an insufficient volume of business, where there is such a sharp conflict between the interest of the institution and that of society, it is clear that fundamental changes are required in the government policy frame and possibly in the structure as well as orientation of the DFC. For example, instead of going ahead with projects submitted to it but which have questionable economic merit, the DFC can go through the painful and financially expensive process of identifying, formulating and promoting projects with acceptable economic and financial features. To do this may require a significant change in DFC policy and even this may prove insufficient in certain situations. However, we believe that the

constraints will not be so binding in economies where investment and income are expanding rapidly and where there is a sizeable entrepreneurial class. In these cases, rejecting an occasional project when there are clear economic grounds for doing so is not likely to jeopardise the financial viability of DFCs. The rejected projects will before long be replaced by other candidates for DFC support.

There is another aspect to be considered. Generally, governments have not questioned that right of financial intermediaries to reject applications on technical or business grounds. But governments may not take to the notion of DFCs rejecting projects exclusively on economic grounds, particularly if these projects have received government sanctions (and privileges) at an earlier stage. A confident government will not see a DFC's interest in the economic aspects of project selection as a challenge, but rather as a worthwhile initiative on which to build a collaborative relationship. Most governments recognise that, at the early stage in the project cycle at which they must decide to extend or withhold approval (in the form of licences or certificates), it is not possible to analyse fully the economic implications of the proposed investment. While certain strategic aspects (ownership, rough location, approximate cost, main inputs and outputs) will be known, government decisions cannot be based on detailed and specific estimates of the kind necessary for conducting social cost-benefit analysis. It is, therefore in the government's interest to encourage the DFC to carry out such an analysis at a later point in the project cycle and to reject investments which fail to qualify despite earlier government approval. Obviously, this kind of relationship cannot be established unless the government has confidence in the integrity of the criteria for economic appraisal of projects.

In conducting economic analysis at the project level, DFCs will acquire a detailed comprehension of selected aspects of government economic policy and of the difference it makes to business decisions. Such an understanding is seldom available in government ministries. Indeed, one of the aspects of policy-making which has impressed us is the extent to which it is a shot in the dark. Quite frequently decisions are made by people who have little first-hand knowledge of traditional business mores or the specifics of institutional arrangements in the market place. That is why it is easy for businessmen to make subtle adjustments

response to new policies which make their actual impact very different from what is intended. DFCs have an important advantage in the review of economic policy, precisely because of their intimate relationships with the business community. If, at the same time, they learn to communicate with planners and policy-makers, they should be able to play a distinctive role in evaluating policy proposals and in preparing public opinion for them.

ADMINISTRATIVE COST

To upgrade the quality of economic work, DFCs will have to incur additional administrative costs. The corresponding benefits will accrue largely to clients, government and society at large. Similarly, to finance projects involving new or small entrepreneurs and backward regions, DFCs will have to incur additional administrative costs in the form of staff salaries, consultants' fees, travel, establishment of branch offices and general overheads. It will seldom be possible to recover these outlays to any significant extent, even though benefits to society might be significant.

Most DFCs, even government-owned institutions, think in terms of profitability. An object of their policy is to minimise administrative costs per unit of output or to maximise the return on assets and on capital invested. It is difficult to fault this policy. For the financial integrity of a DFC is generally judged by, and its access to new resources is generally related to, its capacity to service debt and its ability to pay a return on its capital. This is certainly true of most of the DFCs associated with the WBG. Moreover, the steady diminution of administrative outlays per unit of output is generally considered to be one of the tests of efficiency of management.

And yet, this policy towards cost of operation greatly oversimplifies the situation of a DFC. For one thing there is no easy way of measuring the "output" of an intermediary institution. The usual practice of equating this "output" with the amount or number of commitments made by a DFC during a year can be quite misleading. At one end of the spectrum may be a loan which involves the bare minimum of intermediation. This will be the case when the DFC is simply responding to a fully worked out request from a well established, reputable, industrial firm which needs little technical assistance at any stage of the project. At the opposite end of the spectrum may be a case in which the DFC conceives the invest-

ment idea, formulates the project design, promotes the venture and plays an important part in its execution. The point is that DFC "output" can be a mixture of pure finance, technical guidance and entrepreneurial activity in different proportions. A DFC which has a large measure of technical assistance (and/or entrepreneurial activity) in its total operation is likely to show high administrative costs per unit of finance extended. And yet this is not necessarily bad so long as the operation is conducted efficiently in terms of the performance of individual tasks. We need to develop better ways of judging institutional efficiency than just looking at administrative costs per unit of finance extended. This co-efficient confuses the question of efficiency in the technical sense — the avoidance of waste, the building of optimum organisational forms, the establishment of proper incentives and penalties — with the much larger strategic issue of what kind of intermediation is required in a particular socio-economic setting.

If the profit of a DFC diminishes as a result of a decision to develop economic analysis and to finance smaller entrepreneurs or underdeveloped regions, its creditworthiness and its capacity to raise resources may be affected adversely. If, on the other hand, a DFC's staff and activities are limited to those needed to carry out a banking function strictly conceived, real questions arise about its capacity to achieve its developmental objectives. In this perspective, higher administrative costs are not necessarily bad and lower costs are not necessarily praiseworthy. Much depends on what the DFC is trying to accomplish and how efficiently it is going about its task.

There is thus a close relationship between these very different facets of DFC performance, between administrative costs and achievement of underlying objectives. Owners (government or private shareholders), boards and managements, need to consider carefully whether expectations about these facets of performance are internally consistent. Thus, for instance, the simultaneous goals of reducing DFC dependence on concessional official borrowing and the social desirability of expanding finance to new or smaller entrepreneurs might be untenable if government imposes a low-interest rate regime. However, there might be less tension between these two objectives if higher financial charges for attracting private savings and higher costs of intermediation for high risk borrowers

could be passed on to DFC clients in the form of higher lending rates. Alternatively, government might offset these increased costs through a system of selective, carefully calculated subsidies.

SELF EVALUATION

It was noted at the outset that DFCs are institutions which should be capable both of affecting and of being influenced by society, and of devising indigenous solutions to local problems. The perception of these problems and the importance assigned to each varies from time to time. DFCs learn from experience, and experience colours the way in which they define their problems and try to deal with them. Indeed, to be effective, DFCs must periodically re-define their tasks in the light both of their experience and of changing national values.

Of course, adaptation as a result of experience is a natural process. It is also a slow, osmotic process, more akin to the process of absorption than to the process of active learning. The latter calls for an explicit decision and deliberate effort. It is, moreover, much more characteristic of individuals than of institutions.

A DFC learns from its daily activity. Its profits decline one year; and it asks itself why this has happened and it tries to take steps to prevent recurrence of the experience. It has a follow-up system which monitors the performance of its clients. If it is a good system, the information acquired is not simply used to keep its finger on the pulse of its clients; it is also fed back into the appraisal and decision-making process, so that the experience of yesterday's investments is made available for tomorrow's appraisals. A DFC learns to adapt to the expectations (even shifting expectations) of its creditors. Whether it is well or poorly managed, any financial intermediary inevitably learns from its experience in these and other ways; such learning stems from the daily struggle to survive. Certainly the DFCs associated with the WBG have done so.

But this is not enough. What is also needed is a continuing testing and evaluation of performance against the underlying objectives and policies of the DFC, and a periodic reconsideration of those objectives and policies in the light of changing national objectives. Even a purely private enterprise — if it is a dynamic one — will try to judge the drift of society and to adapt its operations accordingly. The more so a DFC, whose objectives are funda-

mentally developmental. Yet few, if any of the DFCs associated with the Bank have instituted mechanisms for continuing and systematic critical self evaluation; neither their Boards nor their managements seem yet to have appreciated the significance of the pro-

Self evaluation is an important instrument of management. Costs and conformity to objectives are the twin standards by which a manager can evaluate his company's performance. They will certainly be the standard by which creditors, governments, and, in most cases, shareholders will evaluate the performance of the manager and the institution. If self evaluation is to be effective, it cannot be simply the activity however regular, of an "external auditor", whose report is periodically submitted for management or Board inspection. It must be built into the procedures and decision-making processes of the DFC, at all levels. Staff as well as management should participate in this re-examination. DFCs start with an innovative purpose but there is the danger that the sheer struggle to survive will dilute initial enthusiasm. Unless management is vigilant and staff is highly motivated, there will be the temptation to fall in with traditional ways of doing things. A systematic examination of past activity will provide the opportunity for reflection and institutional renewal.

Self evaluation should involve, not simply the testing of performance against original objectives and policies, but also the reconsideration of those objectives and policies with respect to their appropriateness to the future. There is merit in stability, but risk also. An institution that looks only to the past, that considers only justification of its historical record, is not likely to have much of a future. Its future will depend as well on reorientation, when circumstances call for it, to a changing environment. Thus a DFC established in the Fifties, before tourism was found to be the dynamic sector it has become in many countries, and which deliberately excluded hotel financing from activities, might in the Seventies find good reason to change its policy. Or, a DFC which deliberately focused on financing import substitution has reason to reconsider its emphasis as the economic structure changes, new trading opportunities emerge and government policy evolves.

In short a DFC should periodically ask itself:

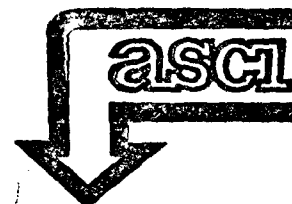
- What has been its developmental impact?
- What have been the internal institutional constraints which have limited its developmental impact, either in mobilising or in allocating resources? Have the

critical factors been DFC policy, quality of leadership, organisational structure, quality of staff, access to information, or what?

- What have been the environmental constraints which have limited the DFC's developmental impact?
- What can be done to ease the internal and external constraints?
- Does the changing environment call for change in the institu-

tion's objectives or policies? Asking and answering these questions and acting appropriately, will help assure a dynamic institution. Yet, neither the answers nor the action can be allowed to undermine the financial integrity of the DFC. Finding out and pursuing the right line between developmental dynamism and financial integrity is the delicate, yet crucial task which gives development bank management its peculiar challenge.

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Industrial Concentration by the Managing Agency System in India, 1948-1968

Arabinda Ghosh

This article examines the extent of control by firms under managing agencies since India's independence in 1947. By taking this long sweep of years, it hopes to shed some light on the direction of structural change that occurred in India's 22 major industries during 1948-68.

Also, the division of these industries into the traditional and the relatively newer engineering and chemical groups would enable us to examine the role played by firms under managing agencies in the context of economic growth.

THE managing agency system dominated the industrial scene of India for more than a century. With the establishment of the 'agency houses' in the early days of the East India Company and then later development into full-fledged managing agencies, the system worked to the overall benefit of India — when capital was shy and risky, when issue houses and finance companies were generally absent, and when indigenous entrepreneurship was virtually non-existent. It was the managing agencies which floated new firms, undertook the initial risk, raised the necessary capital, brought efficiency into production, and exercised firm and stable control over management.¹ In short, the managing agency system served a unique and historic role in the industrialisation process of India.

With the passage of time it has been found that the system, due to its inherent conditions, has become an anachronism, the main source of abuses, and a major stumbling block in the speedy industrial development of India. After much discussion and inquiry spanning the last two decades, the law was eventually promulgated for phased abolition of the managing agency system. Today the large industrial houses, either through managing directors or through a chairman on the board of directors or simply by putting family representatives on the board, nevertheless maintain control over the large firms in India. With the abolition of mostly small one-firm managing agencies, today it is the erstwhile large managing agencies that remain conglomerate in nature and dominating the major industries in the private sector.²

In this article we examine the extent of control by firms under the managing agencies since India's independence in 1947. By taking this long sweep of years we hope to shed some light on the direction of structural change that occurred in India's 22 major industries during 1948-68. It is our belief that this study, encompassing the entire

two decades, could assist in future policy discussions. Also, the division of these industries into the traditional and the relatively newer engineering and chemical groups, would enable us to examine the role played by firms under the managing agencies in the context of economic growth.

EXTENT OF CONTROL BY FIRMS UNDER MANAGING AGENCIES, 1948-68

In Table 1 we have calculated the percentage changes in both the number and asset-size of firms under the managing agencies during 1948-1968. We find that the percentage of numbers and assets of firms administered by managing agencies had decreased in the majority of industries. In 15 of the 22 industries under study, the percentage of firms under the control of managing agencies had decreased significantly — i.e., by more than 5 percentage points — whereas in 12 industries, the percentage of industry assets under the managing agency firms had decreased by more than 5 percentage points. In 8 industries the decrease in firms was 20 per cent and over, while the decrease of assets at 20 per cent or more occurred in 7 industries.

Increases in numbers and assets of firms controlled by managing agencies took place only in three industries, namely, rubber, organic chemicals, and dyes. In both organic chemicals and dyes, there had been no firm under the managing agency system — these industries being virtually non-existent in 1948, and growing significantly only after the launching of the Five-Year Plans. In dyes, about half of the total assets came under the control of the managing agencies in 1968; by contrast, in organic chemicals, it was insignificant. In the rubber industry alone during 1948-1968, the percentage increase in the number of firms controlled by managing agencies was quite high (27 percentage points) while in asset-size, the percentage increase was less steep (14 percentage points).

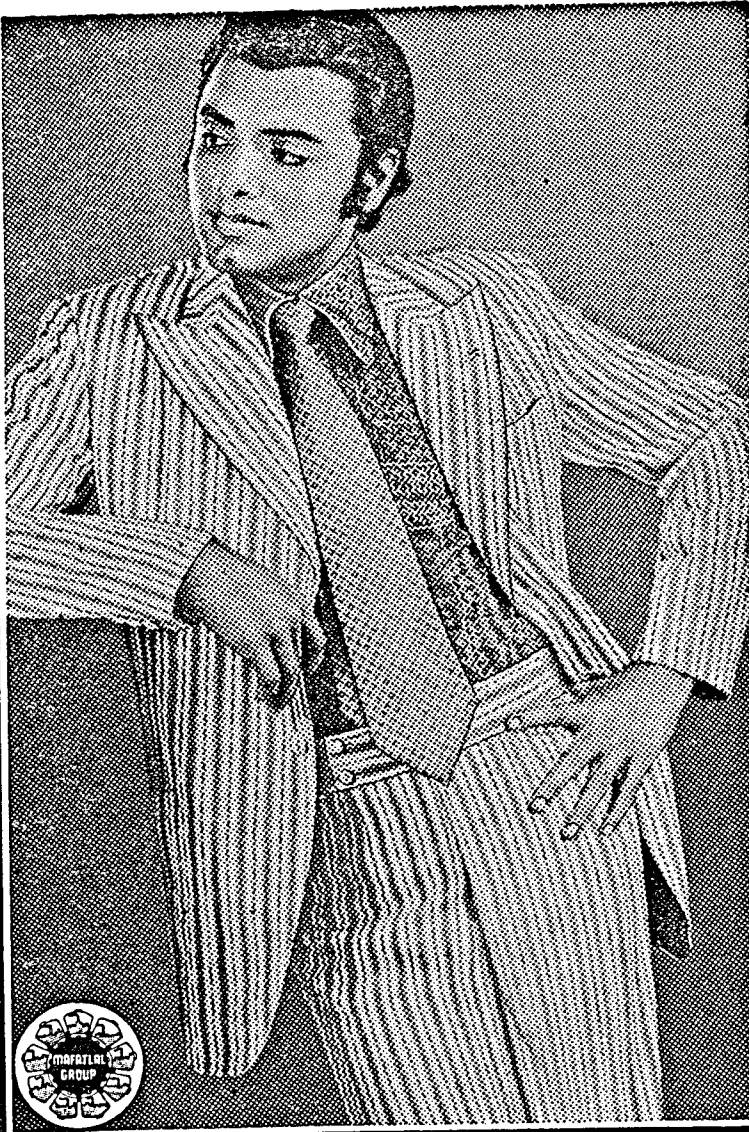
In 7 of the 22 industries, the per-

centage of assets of firms under the managing agencies remained virtually unchanged between 1948 and 1968 while the percentage of firms under the managing agencies changed little in industries only. Drugs and pharmaceuticals and synthetic textiles industries showed slight percentage changes. The role of managing agencies, measured both in numbers and asset-sizes, in a majority of the engineering industries (4 out of 6) the firms under managing agencies showed little change in the percentage of assets, while in number the change was over 20 percentage points during 1948-1968. In cotton textiles, the drop was about 20 points in assets whereas in numbers the percentage had increased slightly.

Finally, in all the 5 'traditional' industries (i.e., industries which had been developed before India's independence in 1947 and where the hold of managing agencies was the strongest), namely cotton, jute, paper, cement, and sugar, firms under managing agencies, there was a significant decline both in industry shares of number of firms and asset size. With the exception of cotton textiles, the decrease was more than 1 percentage points in number, while in asset size the decrease was more than 5 points in all five industries — for cotton and sugar it was near 20 per cent. For the industries which were developed after 1948, namely, the engineering and chemical groups, in 4 out of 6 engineering industries, and 3 out of 6 chemical industries the percentage of firms under the managing agency system dropped significantly.

Table 1 does not reveal the fact that most of the large managing agencies held a number of firms in the same industry, thus seriously undermining chances of competition among them. In Table 2, we have computed the multi-firm holdings of a single managing agency in each industry during 1948-1968. Thus, in 1948, 1 out of 22 industries had this multi-firm control by large managing agencies, while in 1968 the number rose to

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19 — or about 86 per cent of total industries covered. The maximum concentration of multi-firm holdings by large managing agents was in three traditional industries in India, namely, cotton, jute and sugar for both 1948 and 1968. In the cotton textile and sugar industries, more than 30 per cent of total firms were held in 1948 by 24 and 8 managing agencies, respectively, while in 1968 the percentage decreased to 25 per cent with virtually no change in the number of managing agents controlling these firms. But the percentage of assets held by these agencies in these two industries changed differently during 1948-68. While in cotton textile industry it rose from 41.19 per cent in 1948 to 48.48 per cent in 1968, in sugar it fell from 39.92 per cent in 1948 to 27.28 per cent in 1968.

For the jute textile industry, the percentage both in number and assets controlled by the multi-firm managing agencies remained virtually unchanged during 1948-68 — about 70 per cent of total assets and 66 per cent of number of firms. There was a slight decrease in total number of managing agencies in this industry in the 1948-68 period. In the other two traditional industries — paper and cement — the change was different. While in paper there was no multi-firm managing agency in 1948, there arose three such agencies in 1968, controlling 16.2 per cent of the number of firms with 51.34

TABLE 1 : HOLDINGS OF MANAGING AGENCIES IN 22 INDIAN INDUSTRIES, 1948-1968

Industries	1948		1968	
	Percentage of Firms under Managing Agencies	Percentage of Assets under Managing Agencies	Percentage of Firms under Managing Agencies	Percentage of Assets under Managing Agencies
Cotton textile	48.55	87.63	50.12	68.99
Woollen textile	50.00	69.30	41.67	48.24
Synthetic textile	71.43	98.56	72.73	98.88
Jute textile	93.24	97.24	80.64	85.98
Paper	66.67	77.63	46.51	71.96
Cement	77.78	95.80	76.19	90.08
Sugar	81.44	81.29	55.74	60.17
Vegetable oil	65.52	72.92	52.17	61.08
Rubber	11.12	5.78	38.89	19.14
Tools and instruments	63.64	89.70	30.56	56.16
Industrial machineries	66.67	72.44	38.89	70.29
Automobile and ancillaries	75.00	97.09	51.22	82.19
Electrical engineering	45.16	46.03	33.80	43.78
Mechanical engineering	62.81	55.54	46.08	53.34
Metallurgical industry	76.01	96.45	53.34	95.30
Alkalies and allied chemicals	82.35	62.41	52.50	64.05
Fertiliser	66.66	82.51	57.90	37.35
Organic chemicals	—	—	17.65	5.50
Plastic chemicals	50.00	83.34	37.50	57.22
Dyes	—	—	30.00	46.76
Drugs and pharmaceuticals	32.14	32.13	30.77	31.01

Source: Basic data collected from Kothari's "Economic Guide and Investors' Handbook", various issues covering 1948-1968.

per cent of total assets. In the cement industry, only one managing agency with two firms controlled 53.56 per cent of total assets in 1948, while in 1968 two agencies with five firms controlled 18.86 per cent of total assets — a fall of about 35 per cent in assets.

The engineering industries were relatively new and growing parts of the economy in India. Tools and instru-

ments and electrical engineering industries had no multi-firm managing agency in 1948; in 1968 an average of 23 per cent of assets were found to be controlled by such managing agent. In automobile and ancillaries, mechanical engineering and metallurgical industries, the percentage of number of firms and assets controlled by managing agencies increased significantly.

TABLE 2 : MANAGING AGENCIES HOLDING MORE THAN ONE FIRM IN ONE INDUSTRY, 1948-1968

Industries	1948				1968			
	Number of Multi-Firms MA	Number of Firms Held by MA	Percentage of Firms Held by MA	Percentage of Assets Held by MA	Number of Multi-Firms MA	Number of Firms Held by MA	Percentage of Firms Held by MA	Percentage of Assets Held by MA
Cotton textile	24	84	30.43	41.19	24	97	26.72	48.48
Woollen textile	1	2	20.00	29.57	1	2	16.66	16.77
Synthetic textile	1	2	28.57	41.77	2	5	45.45	66.86
Jute textile	13	50	67.56	70.19	10	41	66.12	70.80
Paper	—	—	—	—	3	7	16.27	51.34
Cement	1	2	11.11	53.56	2	5	23.80	18.86
Sugar	8	30	30.92	39.92	9	32	26.22	27.28
Vegetable oil	2	4	13.79	26.91	2	4	17.39	31.09
Glass	—	—	—	—	—	—	—	—
Rubber	—	—	—	—	1	2	11.11	0.59
Tools and instruments	—	—	—	—	2	5	13.88	21.80
Industrial machineries	1	2	11.10	33.34	2	4	11.00	21.27
Automobile and ancillaries	1	2	12.50	20.18	5	12	29.26	28.04
Electrical engineering	—	—	—	—	6	13	18.30	26.88
Mechanical engineering	2	6	13.95	21.01	9	21	20.58	33.78
Metallurgical industry	2	4	16.00	15.89	3	6	10.00	45.03
Alkalies and allied chemicals	—	—	—	—	2	5	12.50	7.73
Fertiliser	—	—	—	—	—	—	—	—
Organic chemicals	—	—	—	—	—	—	—	—
Plastic chemicals	—	—	—	—	1	2	12.15	27.95
Dyes	—	—	—	—	1	2	20.00	32.37
Drugs and pharmaceuticals	—	—	—	—	1	2	5.12	3.25

Note : MA : Managing Agency

Source: Basic data collected from Kothari's "Economic Guide and Investors' Handbook", various issues covering 1948-1968.

TABLE 3 : LARGEST FIRMS UNDER CONTROL OF MANAGING AGENCIES IN 22 INDUSTRIES, 1948-1968

Industry	1948 Ranking of Largest 8 Firms	1968 Ranking of Largest 8 Firms
Cotton textile	All 8 Firms	All 8 Firms
Woollen textile	1 3 4 7 8	2 3 5 6 7
Synthetic textile	1 2 3 4 5	All 8 Firms
Jute textile	All 8 Firms	1 2 3 4 5 6 7
Paper	1 2 3 4 5 7 8	1 2 4 5 6 7 8
Cement	All 8 Firms	1 2 3 4 6 8
Sugar	1 2 3 5 7 8	1 2 3 5
Vegetable oil	All 8 Firms	2 4 5 6 7
Glass	1 2 3 4 5 6	1 2
Rubber	4	3 4 5
Tools and instruments	1 2 3 4 6 7 8	1 2 5 7
Industrial machineries	2 3 5 6 7	1 3 4 5 7 8
Automobile and ancillaries	1 2 3 4 5 6 7	1 2 3 5 6 7 8
Electrical engineering	4 5 6 7 8	1 5 6 7
Mechanical engineering	2 3 5 6 7	1 4 5 7 8
Metallurgical industry	2 3 4 5 6 8	All 8 Firms
Alkalies and allied chemicals	2 3 4 5 6 7	2 3 4 5 6 8
Fertilisers	1 2 3	4 5 6 7 8
Organic chemicals	—	—
Plastic chemicals	1 2	1 2 5
Dyes	—	1 4 7
Drugs and pharmaceuticals	2 3 6 8	3 4

Source : Basic data collected from Kothari's "Economic and Investment Handbook of India", various issues covering 1948-1968.

between 1948 and 1968. In industrial machinery, the number of multi-firm agencies increased by one but the percentage of assets held fell sharply from 33.34 per cent to 21.27 per cent. For the chemical industries, none had a multi-firm managing agency in 1948, but in 1968, 4 out of the 6 industries were so controlled. Thus in 6 out of the 22 industries, the percentage share of assets held by multi-firm managing agencies rose significantly during 1948-68; in 4 industries it fell off, with the share remaining constant in only one industry. The multi-firm control by managing agencies spread to 7 industries in 1968, whereas in 1948 it was non-existent in these industries.

In Table 3, we have listed the largest firms in 22 industries under the control of managing agencies for both 1948 and 1968. In 14 industries, the largest firm belonged to a managing agency in 1948; the number rose to 15 in 1968. In 4 industries, all 8 of the largest firms were under managing agencies in 1948. This went down to 3 industries in 1968. In total, in 8 industries in 1948, 7 of the 8 largest firms were controlled by managing agencies; this declined to 6 industries in 1968. In the traditional industries, like cement and vegetable oil, all the largest 8 firms were controlled by managing agencies in 1948; in sugar and paper the largest 7 were so controlled. By 1968, the role of managing agencies had declined in jute, cement vegetable oil and sugar. In paper and cotton textile 7 of the 8

largest firms were controlled by managing agencies in both 1948 and 1968.

Thus, as shown in Table 3, the role played by the managing agencies is of paramount importance because of their control of the largest firms in most industries. In every industry, other than rubber, fertiliser, and plastic chemicals, the managing agencies held more than 4 of the 8 largest firms in 1948; in 1968, in only 4 industries did they hold less than 4 of the largest 8 firms. In 6 industries the number of largest firms belonging to managing agencies remained constant throughout this period. Only in glass and drugs and pharmaceuticals did the number decrease significantly in 1968. In rubber, fertiliser and dyes, the number of largest firms held by managing agencies rose considerably during 1948-68.

DYNAMIC CHANGES IN MANAGING AGENCY FIRMS, 1948-68

In order to examine the structural changes in firms controlled by managing agencies during 1948-68, we have computed Table 4 to describe shifts in these managing agency firms. Only in the cotton and vegetable oil industries were the governmental and other internal pressures successful in substantially lessening the managing agency control. In cotton textiles, 57 firms or 42.53 per cent of total firms controlled by managing agencies went out of the system, while in vegetable oil it was 9 firms, or 47.36 per cent of total firms existing

in 1948, that had abolished such control. In 6 industries, like jute, cement, industrial machinery, electrical engineering, alkalies and allied chemicals, and fertilisers, decontrol policies met with moderate success as more than 20 per cent of managing agency firms terminated this kind of management by 1968. In 5 other industries, like paper, sugar, tools and instruments, mechanical engineering and metallurgical industries, the success was much less pronounced as seen in the small percentage of firms going out of the managing agency system by 1968.

But to assume that the vigour and ability of the managing agencies had diminished significantly during 1948-68 would be mistaken. As seen in the last two columns of Table 4, a considerable proportion of new firms (i.e. firms coming into existence after 1948) came under the control of managing agencies. This was largely a development for new firms, as the number of firms that existed without a managing agent in 1948 but had one in 1968 were insignificant. In 4 industries, the percentage of new firms under managing agency control were 50 per cent or over, while in 5 industries it was 40 per cent or over in 1968. In 9 industries, the percentage stood at more than 20 per cent, while in 2 industries it was over 10 per cent in 1968. Thus, in almost all industries, a significant number of new firms came under the control of the managing agency system, with the exception of the cotton and jute textile industries. In synthetic textiles and rubber industries, the percentage of new firms under managing agencies was highest, being 75 and 77 per cent, respectively, in 1968. In cement, metallurgical, alkalies and fertiliser it was around 50 per cent of new firms. Thus, the hold of the managing agencies shifted somewhat from old established firms to new firms launched after 1948, and established, initially financed, and managed by mostly old managing agencies.

The strength of the hold of managing agents on the firms they controlled could be seen by the small number of firms where the managing agencies had changed. In each of 5 industries, only one firm changed hands, and there was no change at all in 11 industries during these two decades. Only in cotton, jute and sugar were there numerous changes of managing agencies, and this was in part due to the fact that old British managing agency houses had left India in the aftermath of India's Independence.³ The industries where the number of managing agency firms had decreased

TABLE 4 : INTER-TEMPORAL CHANCES IN MANAGING AGENCY FIRMS IN 22 INDUSTRIES, 1948-1968

Industries	Firms which were under MA in 1948 but not in 1968 (still operating)		Firms which were not under MA in 1948 but under MA in 1968		Firms which changed MA during 1948-1968		New Firms (i.e. firms after 1948) under MA in 1968	
	Number of Firms	Percentage of Total MA Firms in 1948	Number of Firms	Percentage of Total MA Firms in 1968	Number of Firms	Percentage of Total MA Firms in 1968	Number of Firms	Percentage of Total MA Firms in 1968
Cotton textile	57	42.53	2	1.06	18	9.57	35	40.22
Woollen textile	—	—	—	—	—	—	—	—
Synthetic textile	—	—	—	—	—	—	3	75.00
Jute textile	15	21.73	1	2.00	14	28.00	—	—
Paper	2	12.50	—	—	2	10.00	4	21.05
Cement	5	27.77	—	—	—	—	3	50.00
Sugar	14	17.72	1	1.47	8	11.76	10	40.00
Vegetable oil	9	47.36	—	—	1	8.33	2	33.33
Glass	—	—	—	—	—	—	1	16.66
Rubber	—	—	—	—	1	14.28	7	77.07
Tools and instruments	1	14.28	—	—	—	—	6	24.00
Industrial machineries	3	25.00	—	—	—	—	4	22.22
Automobile and ancillaries	1	8.33	—	—	—	—	8	32.00
Electrical engineering	3	21.42	—	—	2	8.33	12	30.00
Mechanical engineering	5	18.51	1	2.12	2	4.25	16	27.11
Metallurgical industry	3	15.78	—	—	1	3.12	17	48.57
Alkalies and allied chemicals	4	28.57	—	—	1	4.76	11	47.82
Fertiliser	1	25.00	—	—	—	—	7	53.84
Organic chemicals	—	—	—	—	1	33.32	2	14.28
Plastic chemicals	—	—	—	—	—	—	3	25.00
Dyes	—	—	—	—	—	—	3	42.85
Drugs and pharmaceuticals	2	22.22	—	—	—	—	3	27.27

significantly were typically old industries, and reflected the fact that old British managing agents had left India, the control of managing agency being terminated thereafter. It is apparent, therefore, that in most industries once a managing agency acquired the control of a firm, it was able to maintain it successfully throughout the period of our study (1948-68).

Although there were many managing agencies, and of these most were one-firm family-held agencies, it was the large multi-firm managing agencies which played the dominant part in most industries. If we examine the frequency distribution of firms controlled by managing agencies, it is seen that a handful of large managing agencies actually dominate the industries in which they operate. In Table 5, we have divided firms controlled by managing agencies into 6 size-classes, size being determined by assets of firms in terms of rupees. The first thing that strikes us is that the distribution of assets among firms under managing agencies is highly skewed. While the lowest size-class had only 0.39 per cent of total assets of all firms under managing agencies in 1948 with over 11 per cent of firms falling in this class, the largest size-class with 1.26 per cent of total firms possessed 25.88 per cent of total assets in the same period. The largest percentage of firms belonged to second

lowest size-class (45.43 per cent), but again had controlled only 6.90 per cent of total assets of managing agency firms. The largest two size-classes actually controlled more than 75 per cent of assets while consisting of only 16.72 per cent of the total managing agency firms in 1948.

This pattern of skewed distribution is more pronounced when we compare it with that of 1968. The largest size-class in 1968 had more than doubled its share of assets controlling about a third of total assets of firms under managing agencies. In the lowest size-class, there was a sharp decrease in the percentage of firms, commanding an insignificant proportion of total assets. That the average firm sizes had increased during this period is quite evident, in that, in all four larger firm-sizes the percentage of firms belonging to these groups increased from 16.40 per cent to 36.26 per cent during 1948-68, controlling about 85 per cent of total assets under managing agencies in 1968. It is thus clear that the operation of a large number of managing agencies did conceal an extremely unequal distribution of assets of firms under these agencies and that it was only 96 large firms, controlled by a few managing agencies, that held more than four-fifths of total assets of all firms under managing agencies operating in 22 Indian industries in 1968.

CONCLUSIONS

Our study has shown that the percentage of firms and their asset sizes under the control of managing agencies had declined in 15 of the 22 industries covered during 1948-68. In traditional industries, like cotton, jute, paper and sugar, the shares held by firms under managing agencies declined significantly in this period. When we take multi-firm managing agencies into account, we find that 11 or half of the industries covered were subject to this multi-firm holding by one or more managing agencies in 1948, while the number rose to 19 industries by 1968. The percentage share of assets held by multi-firm managing agencies rose significantly in 6 industries, fell off in 4, and remained constant in one; by 1968 an additional 7 industries were characterised by multi-firm holdings by managing agencies.

With the exception of cotton and jute industries — the traditional bases of the managing agency system — a significant number of new firms came under the control of managing agencies. It seems that the hold of the managing agencies had shifted from old established firms to the new entrants, launched after 1948 and managed by the managing agencies. Also, the managing agencies had changed hands among themselves in a very small number of cases. It is thus apparent that in most industries, once a managing

TABLE 5 : FREQUENCY DISTRIBUTION OF FIRMS UNDER THE CONTROL OF MANAGING AGENCIES ACCORDING TO ASSET SIZE, 1948-1968

Size Class*	1948			1968		
	No of Firms under Managing Agencies	Per Cent	Per Cent of Assets	No of Firms under Managing Agencies	Per Cent	Per Cent of Assets
Under Rs 500,000	34	10.93	0.39	6	2.26	0.05
500,000 < to 2,500,000	114	45.98	6.90	74	27.93	1.03
2,500,000 < to 5,000,000	41	13.18	5.45	44	16.60	1.41
5,000,000 < to 10,000,000	42	13.51	11.29	45	16.98	12.84
10,000,000 < to 100,000,000	48	15.43	50.09	73	27.55	23.56
100,000,000 and above	3	0.97	25.88	23	8.68	61.11

* To minimise the problem of price changes we have chosen a successively higher class-interval. For a methodological discussion of this problem, see I Adelman, "A Stochastic Analysis of the Size Distribution of Firms", *Journal of the American Statistical Association*, December 1958, pp 898-99.

Source: Basic data collected from Kothari's "Economic Guide and Investors' Handbook of India", various issues covering 1948-1968.

agency acquired the control of a firm, it was able to maintain the hold through the period of our study. As to the size-distribution of firms under the control of the managing agencies, we find that the distribution was extremely skewed — less than 17 per cent of total managing agency firms in the 22 industries controlled more than 75 per cent of the total assets in 1968.

Appendix A

DATA SOURCE

The principal source of data used in this study is Kothari's "Economic Guide and Investors' Handbook of India", published since 1945 under various names like "Investors' Encyclopaedia", etc.⁴ It contains data on paid-up capital, reserves, and other information for all joint-stock companies as compulsorily registered with the Ministry of Industries, Government of India. This main source of data was supplemented by various stock exchange manuals, like the Madras, Calcutta and Bombay Stock Exchange year books, in order to obtain the necessary additional information for each public-limited company in the industries covered. Except for agricultural processing and cottage industries like rice milling, wheat flour milling, biscuit-making, fruit-processing, soap, matches, and starch manufacture, we have taken all other industries in the Indian Census of Manufacturing Industries (CMI), which had a total of 29 industries. Together, the 22 industries we have covered constitute over 80 per cent of the total manufacturing activity in India.

The dependence of our study on Kothari's "Handbook" will not bias it unduly as the data are quite comprehensive and the coverage in most of the industries is more than 90 per cent. This is also not the first time that Kothari's "Handbook" is used for empirical

investigation in India. Andrew Brimmer in his 1955 study on the role of the managing agency system in India used Kothari's "Handbook" where 1,064 companies were classified under 17 industries.⁵ Brimmer also noted that the publicly registered joint stock companies are responsible for the bulk of the output in these industries. The National Council of Applied Economic Research in its study on the managing agency system compiled data from Kothari's "Handbook" and divided companies into 'traditional' Indian industries like cotton, jute, sugar, paper, and cement.⁶ L C Gupta, in his discussion on the ownership of stocks in Indian industries, also used Kothari's "Handbook".⁷ It is thus apparent that many important studies on Indian industrial structure had relied on data collected by Kothari. This is mainly because Kothari's is the only source available in India where data on individual firms in the organised private sector is given.

We have taken the joint-stock companies in our industry totals. This is

mainly because balance sheets of joint-stock companies are the only data on industries which are available on continuous basis. Almost all major studies on Indian industries have used this source. Hazari, Mehta, Lokanathan, Nigam and Chaudhuri, Bain, etc had to use these data on joint-stock companies.⁸ Reliance on Kothari does not inhibit our study seriously. Of the 22 industries we have selected, all fall in the organised sector where floating of a firm as a joint-stock company has been the usual practice. For example, the coverage by joint-stock companies in cotton, jute, sugar, paper, and cement was 83 per cent, 85 per cent, 92 per cent, 80 per cent, and 90 per cent, respectively, during 1963-64.⁹ In engineering and chemical industries, the percentage of firms outside joint-stock companies was quite low, as pointed out by the Industrial Licensing Policy Inquiry Commission.

The size of a firm is measured here in terms of 'net assets' or 'capital assets' (i.e., paid-up capital plus general

Appendix B

INDIAN INDUSTRIAL HOUSES OWNING PRINCIPAL BRITISH MANAGING AGENCIES AFTER 1948 IN 22 INDIAN INDUSTRIES

British Managing Agencies in 1948	Under Indian Houses in 1968
Kettlewell Bullen	Bangur
F H Heilgers	Bird
McKenzies	Birla
Roberts, McLean	Birla
Allen Berry	Dalmia, R K
Duncan Brothers	Goenka
Braithwaite (India)	Jardine Henderson
Gladstone, Lyall	Jatia, G D
Bennett Coleman	Sahu Jain
Begg, Sutherland	Shapoorji Pallonji
British India Corporation	Soorajmull Nagar
McLeod	Soorajmull Nagar
Forbes, Forbes, Campbell	Tata
Crompton Greaves	Thapar

Source: Government of India, Report of the Industrial Licensing Policy Inquiry Commission, Appendices, Volume II.

reserves), and are the basis for the measures of concentration. Its use is justified by its being the only available source, and probably not the least useable of the several measures of size. Among its limitations, as Adelman had pointed out, are difficulties in using assets as a measure during periods of appreciable price changes.¹⁰ However, all other measures possess limitations of greater or lesser degree. Moreover, some comforts can be drawn from the fact that all the measures show very high correlations among themselves, as Rosenbluth has demonstrated.¹¹ Since we are mainly concerned with the relative change in firm size, any general change in price level will not unduly affect the relative position of firms.

We believe that by taking 'net assets' we will avoid the pitfalls of taking paid-up-capital alone, or physical assets. Taking both paid-up capital and reserves as net assets or capital assets give us a better yardstick of a firm's net worth which shows changes with the economic condition of the firm.¹² Our position may be summed up best by the words of Collins and Preston: "...assets have been used in most of this kind because of their availability, and because of their significance as an index of ability to engage in economic activity."¹³

Notes

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- 8 R K Hazari, "The Structure of Corporate Private Sector" (Bombay, 1966); M M Mehta, "Structure of Indian Industries" (Bombay, 1955); P S Lokanathan, "Industrial Organisation in India", (London, 1935); R K Nigam and N C Chaudhuri, "The Corporate Sector in India",

Appendix C

MULTIPLE MANAGING AGENCIES UNDER ONE INDUSTRIAL HOUSE IN 22 INDUSTRIES

Industrial Houses	Managing Agencies
Bajaj	Bachhraj and Co Ltd Jamnalal Sons Pvt Ltd
Bangur	Bangur Brothers Ltd Bombay Agency Co Pvt Ltd Cotton Agents (Rajasthan) Ltd Shree Krishna Agency Pvt Ltd Shree Laxmi Agents Ltd
Birla	Cotton Agents Pvt Ltd Birla Gwalior Pvt Ltd Hyderabad Agencies Pvt Ltd Saran Trading Co Ltd Zenith Distributors and Agents Ltd G Das and Co Pvt Ltd
Dalmia, J	Govan Bros (Rampur) Pvt Ltd Hari Bros Pvt Ltd
Kasturibhai Lalbhai	Lalbhai Dalpatbhai and Co Lalbhai Dalpatbhai Sons and Co Lalbhai Sons and Co Narottam Chandulal and Co Ltd Narottam Lalbhai and Co
Kilachand	Chinubhai Ambalal Kilachand Devachand and Co Pvt Ltd Ramdas Tulsidas and Co Tulsidas Ambalal
Mafatlal	M Parekh and Co Pvt Ltd Mafatlal Chandulal and Co Ltd Mafatlal Gagalbhai and Sons Navinchandra Purshottamdas and Co Ltd
Naidu, G V	B Rangaswamy Naidu and Sons Balasundaram and Co G Kuppuswamy Naidu and Co R Bhima Naidu and Co
Naidu, V R	A G Guruswamy Naidu and Co G Ramaswamy Naidu and Co R V Guruswamy Naidu and Co
Ruia	Radhakrishna Ramnarain Pvt Ltd Ramnarain Sons Pvt Ltd United Agencies Pvt Ltd
Tata	Tata Sons Pvt Ltd Investa Industrial Corporation Ltd

Source: Government of India, Report of the Industrial Licensing Policy Inquiry Committee, Appendices, Volume II.

- (New Delhi, 1961); J S Bain, "International Differences in Industrial Structure" (New Haven, 1966).
- 12 Arabinda Ghosh and Anil K Sarkar, "Size Structure of Indian Engineering Industries", *Indian Economic Journal*, January-March 1969 pp 375-81.
- 13 N R Collins and L E Preston, "The Size Structure of the Largest Industrial Firms, 1909-1958", *American Economic Review*, December 1961, pp 986-1103.

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The Telengana Peasant Armed Struggle, 1946-51

Mohan Ram

Over 20 years ago, Acharya Vinoba Bhave launched his bhoodan movement at Pochampalli, a village in Telengana where communists had carried on an armed struggle for five years around an agrarian programme. Bhoodan was to be the sarvodaya answer to the communist challenge on the land problem and was meant to achieve what legislative action was not expected to do.

The minuscule peasant revolt in Naxalbari (1957) was a reminder that neither the sarvodaya approach nor the legislative process (in which communists had begun participating after abandoning the tactic of armed struggle) had solved the agrarian problem in India. There have been many Naxalbaris since.

The Maoist perspective in the Indian communist movement, which began with the Telengana struggle, has resulted in an extra-spectrum trend which rejects the parliamentary system and seeks to achieve the people's democratic revolution through people's war linked to an agrarian programme. The re-emergence of the Maoist trend in the Indian communist movement marks the return of the "Telengana line".

The 25th anniversary of the Telengana armed struggle last year found the Indian communist movement indulging in polemics on the nature and significance of the struggle. The main controversy was over the circumstances attending the withdrawal of the struggle in 1951. This article seeks to place the 'Telengana line' in perspective with particular reference to its relevance to the split in the Indian communist movement in 1964 and again in 1968.

THE Telengana peasant armed struggle was the first independent trend in the Indian communist movement. Communists of the Telugu-speaking tracts of south-central India, now Andhra Pradesh, organised and led it, often in defiance of the central leadership of the Communist Party of India and of the international communist movement.

Until 1953, the Telugu-speaking people lived in a contiguous area, a part of which was in the erstwhile Hyderabad state, a multilingual entity, and another in the erstwhile Madras Presidency (later Madras state), also a multilingual entity. The Telugu districts of Madras state were constituted into the Andhra state in 1953. The Andhra state, together with the Telengana region (as the Telugu districts of Hyderabad state were known) were grouped together to create the present Andhra Pradesh in 1956, breaking up the Hyderabad state.

The first communist groups came into being in Telengana in 1939-40. They were illegal and functioned through the Andhra Mahasabha, a mass organisation to promote the cultural and political interests of the Telugu-speaking people of the Hyderabad state. In 1943, the leadership of the Andhra Mahasabha passed into communist hands. From 1944 on, communists were organising militant struggles against landlordism and feudal exploitation.¹

The Communist Party of India's zig-zags during the Second World War (the switch from the imperialist war to the people's war slogan in 1942 and the consequent support to the British war effort and the reluctance to support the demand for transfer of power) did not permit its Hyderabad unit to demand the end of Nizam's rule, the abolition of landlordism in the state and the implementation of a radical agrarian programme. A change in the CPI's policy, coinciding with the post-war upsurge in the country, enabled the local unit to plan more radical and more militant struggles.

In Telengana, the contradiction between the mass of the peasants and feudalism was most advanced in 1945-46. The peasant movement was initially organised around simple demands against eviction and oppressive feudal exactions but it quickly escalated when it met with the combined repression of the landlords and the Nizam's governmental machinery. Peasant resistance to the attacks of organised hoodlums, police and the Nizam's military took the form of armed clashes which eventually were to swell into a movement for the overthrow of Nizam's rule.

STRUGGLE AGAINST NIZAM

By mid-1946, the movement had acquired the characteristics of a national liberation struggle to free the people from the rule of the Nizam and the

feudal order. In the adjoining Andhra area (i.e., the Telugu districts of Madras Presidency) the CPI had an efficient organisation and a well-trained cadre but in Telengana it was not so well established and the people of Telengana had no tradition of political participation. Yet the CPI found itself leading an armed struggle in Telengana that was to last five years.²

The Telengana region had been under a medieval feudal monarchy while the Andhra area was directly under British rule and had the ryotwari land tenure system. The contradiction between the peasants and the landlords had become very sharp in Telengana while it had been blunted in the Andhra area. Secondly, the nationalist movement in British India had been led by the national bourgeoisie, whereas in Telengana the communists were in effective control of the small nationalist movement.

Finally, the decision of the Nizam to refuse accession to India after Independence (1947) placed him in direct contradiction to the new Indian government. This factor made it possible for the communist-led movement in Hyderabad state to take on the character of a national liberation struggle, with the support of the national bourgeois leadership of the rest of the country, until Indian forces marched into the state to force its merger with the Indian Union.

In 1946, the Hyderabad state unit of the CPI began campaigning for an interim government in the state as the intermediate step towards breaking up the multilingual unit and merger of the various linguistic areas comprising it with the respective linguistic areas outside. This was the genesis of the Andhra communists' slogan of 'Visalandhra' (an extended Andhra) to unify the Telugu-speaking people into a single, unilingual state. In the Andhra region, the CPI campaigned for an anti-feudal, democratic programme around the slogan of "People's Rule in Visalandhra" at the 1946 general elections³ and launched a limited struggle in the area to link up with the upsurge in Telengana where the Andhra Mahasabha had become a united mass organisation of all the anti-Nizam forces.

When the British formally announced in June 1947 their decision to abdicate power in the subcontinent, the CPI found itself confused about the meaning of the transfer of power to take place on August 15. It settled for a non-class approach to the Congress leadership that was to take power from the British as a result of a compromise. At the inaugural meeting of the Cominform in September, Zhdanov made his famous speech characterising the world as being divided into two hostile camps and calling on communists to lead movements to oppose the imperialist plans for expansion and aggression.⁴ Indian communists misread this to mean that in every non-socialist country the bourgeoisie had gone over to the camp of Anglo-United States imperialism and this new alignment of forces had created two camps in irreconcilable conflict in everyone of these countries. So India's independence was branded fake. Indian communists went further than Zhdanov and embraced the views of Eduard Kardelj, a Yugoslav participant at the Cominform meeting. Kardelj had argued that democratic and socialist revolutions must "intertwine" and communists must attack not only the big bourgeoisie but the bourgeoisie as a whole. Adopting this Titoite line, the CPI concluded that India was already a capitalist country (and not a semi-feudal, semi-capitalist one) and that the party should intertwine the two stages of revolution into a single stage through an attack on the entire Indian capitalist class. This was the essence of the party's thesis at its second congress in February-March 1948. It was a swing from right opportunism to left sectarianism.⁵

The Andhra communists had already taken the Telengana peasant movement

to the level of partisan armed struggle. "Telengana means communists and communists mean Telengana" thundered B T Ranadive, the party's General Secretary-to-be at the second congress which deposed the reformist P C Joshi. The Telengana armed struggle was a few months old and it was not until the Telengana delegates had attacked the failure of the new political thesis to realise the "revolutionary significance" of the struggle to the "present epoch of maturing democratic revolution in India" that the new leadership appeared to support the struggle seriously. The second congress called for similar struggles in other parts of the country and for working class movements in support of Telengana, all ultimately leading to armed insurrection. The new albeit formally, because it might hasten the working class general-strike-cum-armed-insurrection which it had banked upon in the post-war revolutionary situation.

ANDHRA THESIS

In May 1948, Andhra communists challenged the second congress thesis and its reliance on the general-strike-cum-insurrection weapon. The Andhra thesis said that the Indian revolution, in many respects, differed from the classical Russian Revolution and that it was to a great extent similar to the Chinese Revolution. The perspective should therefore be that of a dogged resistance and prolonged civil war in the form of an agrarian revolution culminating in the capture of political power by the democratic front rather than a general strike and an armed uprising. Therefore, where a good proportion of the masses were with the party (in Andhra, Kerala and Bengal) it was time to think in terms of guerilla warfare (the "Chinese way") against the military onslaughts of the Nehru government bent on liquidating the party. Armed guerilla resistance had to be developed in several parts of the country and these areas were to be converted into liberated areas with their own armed forces and state apparatus; later, towns were to be liberated by the armed forces from the liberated areas.

The Andhra thesis also advocated a united front, which included the rich peasantry and the middle bourgeoisie as the allies of the proletariat in the people's democratic revolution, and asserted that such a wide front of armed struggle could take shape under the leadership of the party and that the objective conditions for realising

these were fast maturing. Only prolonged armed resistance as in Telengana would bring about the needed situation.⁶

Andhra communists had invoked Mao Tse-tung's "New Democracy" to justify their strategy of a two-stage revolution in India. The new leadership of the CPI rejected the Andhra thesis but the significance of this episode has not been adequately realised in India or outside. The first recorded debate on the legitimacy of Mao Tse-tung's theories as part of Marxism-Leninism took place between the Andhra communists and the new CPI leadership. The ultra-revolutionary Ranadive, in his polemic against his country-cousins leading the Telengana armed struggle, suggestively bracketed Mao with Tito and Browder and denounced him as a charlatan ("some of Mao's formulations are such that no communist party can accept them; they are in contradiction of the world understanding of the communist parties," he said).⁷

While the CPI's understanding was based on a wrong interpretation of the Europe-centred Zhdanov line, the Cominform did not seem to have clear line yet for former colonies like India when Ranadive embarked on his anti-Mao polemic. The Chinese Revolution had not been brought to a end. It was not until 1950 that the Cominform endorsed the formulation of Mao's "New Democracy".

A Soviet academician, E M Zhukov advocated a four-class alliance in colonies and semi-colonies.⁸ A little later Academician V Balabushevich hailed the Telengana struggle as the "first attempt at creating people's democracy in India and the harbinger of agrarian revolution".⁹ This was vindication of the Andhra leadership's "Telengana line".

SUPPORT FROM CHINA

Support to the Andhra leadership came also from the Communist Party of China within weeks of the formal proclamation of the People's Republic of China (October 1, 1949). Li Shao-chi declared in Peking in November 1949 that "the road of Mao Tse-tung" was the path for other colonial countries and armed action was the main form of struggle whenever and wherever possible.¹⁰

A few days thereafter, an editorial in the Cominform journal endorsed the most crucial of formulations of Liu's declaration:

The experience of the victorious national liberation struggle of the

Chinese people teaches that the working class must unite with all classes, parties and groups, and organisations willing to fight the imperialists and their hirelings to form a broad nation-wide united front, headed by the working class and its vanguard... the Communist Party.¹¹

But when it came to the form of struggle, the Cominform mentioned China, Vietnam, Malaya and "other countries" as examples of how armed struggle was becoming the "main form of struggle" of the national liberation movement in many colonies and dependent countries. Then it listed Vietnam, South Korea, Malaya, the Philippines, Indonesia and Burma as countries engaged in armed struggle, but not India which was mentioned merely as a country with "sham independence".¹²

With the Cominform debunking Ranadive, the Andhra leadership found itself heading the party. Rajeswara Rao took over as General Secretary in May-June 1950. The Telengana line of peasant partisan warfare triumphed inside the CPI, but Moscow's intervention was to suppress this trend later.

The new CPI leadership worked out a political line which briefly meant:

(1) Rejection of the programmatic understanding of the second congress, subsequently elaborated in what was called the "Tactical Line" by the leadership;

(2) Rejection of the thesis of the single stage revolution, i.e., the intertwining of the two stages of the Indian revolution into one;

(3) Rejection of the idea that the entire bourgeoisie, including the rich peasantry, had become enemies of the people's democratic revolution;

(4) Upholding of the concept of the Chinese path for the Indian revolution which meant developing Telengana-type agrarian struggle extensively wherever possible.¹³

The new Central Committee, on June 1, 1950 highlighted the role of armed struggle for securing national liberation and claimed that preconditions for starting such struggles were already there. But this did not mean that armed struggle could be launched immediately anywhere and under any conditions. The accent was on armed guerilla warfare linked to an agrarian programme wherever the party's strength permitted it. The Central Committee pledged to extend the Telengana struggle to other parts of India. It wanted to put the party on the rails of armed struggle in the countryside and rebuild the movement

in the cities and working class centres on the basis of the new line and tactics.

ENTRY OF INDIAN ARMY

In the meantime, the entry of Indian armed forces into Hyderabad and the accession of the state to the Indian Union had created a new situation in the Telengana struggle areas. The Nizam's forces and the private army known as the Razakars had failed to suppress the armed struggle. But after the surrender of the Nizam, it was a military campaign (with 50,000 to 60,000 Indian troops thrown in) against the communists who had developed contiguous liberated zones covering 3,000 villages, complete with village soviets, people's courts and people's militia. A formidable modern army was fighting the ill-equipped squads. The guerilla squads retreated to the forests, leaving small groups behind to operate in the plains. The government tried a strategic hamlets plan similar to the famous Briggs plan in Malaya. They destroyed about 2,000 tribal hamlets in the forests and herded the people into concentration camps. This was part of the plan to isolate the guerilla squads from the tribal people inhabiting the forests. The guerillas moved to newer forest areas.

The correlation of political forces in Hyderabad state changed significantly with the accession of the state to India. Though the state Congress party and some other non-communist forces were not part of all-in front against the Nizam, each had fought his autonomy and there was sympathy for armed struggle even from the masses of the people. But with end of the Nizam's rule, this support was thinning.

The all-India leadership of the CPI was divided about continuing the armed struggle after the Nizam's accession to the Indian Union late in 1948. A section of the local party unit was also for withdrawal of the struggle.¹⁴ In fact, the present day CPI owns up the Telengana struggle only upto this point and regards the rest of it sectarian and dogmatic and little more than a terror campaign. It thinks the struggle should have been called off when the Nizam's rule ended.¹⁵

But the Visalandhra communist committee as a whole for continuing the struggle. The big gains of the Telengana peasantry, especially the one million acres of land distributed among them, had to be defended and not allowed to be snatched away. Secondly, the national and international situation

was favourable for armed partisan struggle. The Telengana struggle, the committee thought, was the beginning of the liberation struggle and it was demonstrating that the Indian revolution was more like the Chinese revolution than the Russian revolution. So the Telengana armed struggle continued.¹⁶

OPPOSITION WITHIN CPI

Opposition to the Andhra leadership and its new political line came not only from a group operating from the party headquarters in Bombay which included S A Dange, Ajoy Ghosh and S V Ghate, who had been released from prison, but also from the Communist Party of Great Britain. A letter from its Political Committee late in 1950 traced the CPI crisis to a perverse understanding of the Cominform journal's editorial (January 27, 1950). Armed struggle was not ruled out for India but the situation in the CPI and the country did not hold immediate prospects for such a struggle. The CPI could utilise all opportunities for legal activities and prepare for general elections (a whole year and more away!). The letter also called for a change in the CPI leadership because the Rajeswara Rao leadership had not been "democratically" elected (a veiled call for revolt against the leadership determined to continue the Telengana armed struggle). The solution to the party crisis lay in "full and unfettered discussion" (which meant armed struggle as a tactic should be abandoned formally). The most important references in the letter were to the CPI's failure to work out a policy on Korea, where the war was raging, and on the peace movement.¹⁷ This amounted to directing the CPI to step up pressure against Nehru's foreign policy.

This letter could not have been sent to the CPI without Moscow's clearance, if not a directive from Moscow. It was addressed to the Central Committee and was therefore not circulated to the ranks. But the Party Headquarters faction made it a point to circulate it three months after its receipt to exert pressure on the Rajeswara Rao leadership on the eve of the December 1950 Central Committee meeting, which reorganised itself as well as the Politbureau to provide representation to all the trends. The new leadership decided to seek the Soviet party's help in establishing political-ideological-organisational unity in the party.

According to P Sundarayya, one of the leaders of the Telengana struggle, differences in the CPI related to two

sets of issues. One concerned the programme — the class assessment of the transfer of power in 1947, the exact stage of the Indian revolution and the class strategy or alliance for it — and another to tactics the possible path of the Indian revolution — Russian or Chinese, the nature of the Telengana armed struggle, the different phases of partisan peasant struggle and the problem of equating these peasant partisan struggles with the armed struggle for political power, etc.¹⁸

Meanwhile the pressure from the British party continued. The directives were now explicit and positive, indicating a clear shift in the Cominform line and the Soviet foreign policy requirements. The directives came in the form of answers by R Palme Dutt to five questions on the Indian situation. The peace movement had to be stepped up against Anglo-United States imperialism and for the liberation of Asia. Nehru's foreign policy, it was not a "consistent peace policy" yet and Nehru's opposition to imperialism was "hesitant and limited", should be reappraised in the light of his attitude to the Korean war and to China's admission to the United Nations. Peace and freedom went together and India needed a "broad democratic front" from above on the basis of a common action programme for peace and independence. Finally, armed struggle was not the correct path for India for the present.¹⁹

Dutt elaborated this in an interview to visiting Indian communists. He said that as stated in his party's letter to the CPI, "ultimately the revolution in India will and must take the form of armed struggle. It is hardly to be debated". He had no idea of the exact situation in Andhra and could not say what would be the proper form of struggle there. But if the Andhra unit had adopted correct forms of struggle during the post-second congress period, the party should not have suffered any disruption there. "But from the reports we possess, this does not seem to be true. When on the top of it, the so-called experience of Andhra is applied mechanically to all over India where the conditions of peasant organisation and the strength of the party were both weaker than in Andhra, the result cannot but be disastrous", he said. Elaborating the concept of armed struggle, Dutt was insinuating that the Telengana struggle was little more than individual or squad terror. (Thereby he was endorsing the faction demanding its suspension.) Armed struggle, he said, was "the higher

form of struggle" and "must bear a mass character", as distinct from the terrorism of individuals or small groups. Again, armed struggle was a "higher state of mass movement, which therefore becomes the pre-requisite". Dutt's concern was with the peace movement because the cold war had replaced class struggle on the Cominform agenda to suit Soviet foreign policy interests. The peace movement presented the CPI with "one of the most important weapons for building a front of all sections of Indian people... If we recognise that the building of the National Democratic Front is the key task for the national liberation struggle, then it should be obvious that the broad front that will emerge out of the peace movement may lay the basis for the National Front for national liberation".²⁰

In sum, Dutt's advice aimed at persuading the CPI to give up the tactic of armed struggle at least for the moment and to seek the broadest possible united front for peace, while the task of building a national democratic front could wait.

SOVIET INTERVENTION

The British advice strengthened the faction opposed to the Telengana armed struggle, but the CPI crisis continued until a top-level delegation clandestinely visited Moscow early in 1951 for consultations with the Soviet party leadership. The CPI team comprised two Andhra leaders (C Rajeswara Rao and M Basavapunniah) who were directly leading the Telengana struggle and two leaders opposed to it (S A Dange and Ajoy Ghosh). The Soviet party commission comprised Stalin, Malenkov, Molotov and Suslov. The main conclusion on the issues concerning the programme were incorporated in the Draft Programme published in 1951.²¹

The draft said the state that came into being with the transfer of power was the same old imperialist state and the Congress government installed with the consent of imperialism had pledged to protect the British interests in India. It rejected the second congress understanding that the entire bourgeoisie including the rich peasantry were outside the pale of the people's democratic front. It recognised the possibility of winning over all the Indian bourgeoisie, barring some individuals and groups of big bourgeoisie. It rejected the theory of the intertwining of the two stages of revolution.

As for tactics, an accompanying document, "Statement of Policy".²²

said "neither only the Russian path nor the Chinese path but a path of Leninism applied to Indian conditions was the answer". Partisan warfare of the peasantry had to be combined with the other major weapon, that of working class strikes, the general strike and uprising in cities led by detachments of the working class. The statement stressed the leading role of the working class in the worker-peasant alliance.

The "Statement of Policy" was the legal or open version of a larger unpublished document prepared by the CPI team to Moscow. It was entitled "Tactical Line".²³ Parts of it were not included in the "Statement of Policy" and the omitted passages dealt with the elaboration of some of the theoretical issues and principles which provided the theoretical-ideological basis for the "Statement of Policy" and included details of the discussions between the CPI team and the Soviet party commission headed by Stalin.

Neither of the documents referred to armed revolution as part of the immediate programme. The "Tactical Line" cautioned the party against "premature uprisings and adventurist actions" and yet thought it wrong to lay down that armed struggle in the form of partisan warfare should be resorted to in every specific area only when the movement in all parts of the country rose to the level of an uprising. This was because the uneven levels of mass consciousness in a vast country like India would not permit peasant movements of the same tempo everywhere. On the contrary situations demanding armed partisan warfare might arise in several areas. For instance, when in a big and topographically suitable area the peasant movement rose to the level of seizure of land, the question of effective seizure and defending the land seized would become a burning one and "partisan warfare in such a situation, undertaken on the basis of a genuine mass movement and firm unity... if correctly constructed and led, can have a rousing and galvanising effect on the peasant masses in all areas and raise their own struggle to a higher level".

SWITCH TO PARLIAMENTARISM

The proximity of the general elections seems to have made it expedient for the new CPI leadership to withhold publication of the "Tactical Line". Through the "Statement of Policy" the CPI was trying to project the image of a party that had virtually abjured violence and was settling for

mentarism. The leadership feared that some of the formulations in the "Tactical Line" might prevent the party regaining its legality in states where it had been banned (Travancore-Cochin and Hyderabad). Another reason could be that a more explicit reference to the tactic of combining peasant partisan warfare with urban insurrection might provide the extremist elements in the party arguments for opposing the switch to parliamentarism.

The "Draft Programme" and the "Statement of Policy" formalised Moscow's decrees on strategy and tactics for India. The "Draft Programme" was published by the Cominform journal immediately after it was released in India and the "Statement of Policy" within a fortnight of its adoption.

Rajeswara Rao had already resigned as General Secretary and Ajoy Ghosh had replaced him when the Central Committee met in May 1951 to hear about the Moscow discussions. The May 1951 Central Committee meeting decided to call off the Telengana struggle and asked its Andhra members to ascertain from the partisan leaders whether they could hold on until the party negotiated with the government on the terms for withdrawal, which included the following: land in possession of the tenants should not be taken away to be handed over to landlords; all warrants against the struggle leaders should be withdrawn; all prisoners released; and the ban on the CPI lifted. The resolution made clear that the Telengana struggle was not started and was not being continued to overthrow the Nehru government, but to end feudal exploitation. It directed the newly-constituted Politbureau to review the Telengana problem and adopt all ways and measures to make the struggle successful.²⁴

Taking advantage of this resolution, the Ravi Narayan Reddy faction in Telengana and the party Headquarters faction at the all-India level launched a campaign for withdrawal of the struggle even before the terms of withdrawal could be secured, and to eliminate the fighting cadre from all levels of leadership. It began claiming that the Central Committee had already called off the struggle and that what was going on in Telengana was mere individual or squad terror. The open campaign by this faction forced the Politbureau to appoint a three-member negotiating committee. Ajoy Ghosh, the new General Secretary, even threatened to disown the struggle

Maddukuri Chandrasekhara Rao, an Andhra leader, retorted that in that case the struggle leadership would be forced to disown him and his leadership.

The struggle leaders were still talking to the partisan leaders in the forest bases when the government told the negotiating committee that declarations favouring withdrawal of the struggle were of no avail unless the leaders in charge of the struggle announced its withdrawal.

At the May 1951 Central Committee meeting, the Andhra members agreed that the struggle could not last long even as a partial partisan struggle in defence of land and should be withdrawn after securing the most favourable terms. They had supported the Central Committee resolution in this spirit. As Sundarayya rightly records, the dissensions that had plagued the party during the last two years caused "irreparable harm to the Telengana armed struggle". There was the vicious propaganda that the movement in Telengana was nothing but individual terrorism or squad actions and that there was no mass participation. The Central Committee's resolution was based on the new programme and a new tactical line, but in complete contradiction to it the Politbureau issued a public statement condemning individual terror and squad actions and this helped the slander campaign against the Telengana struggle.²⁵ Also, the releasing to the Press of the part of the Central Committee resolution expressing readiness for a negotiated settlement led the government to believe that the movement was about to collapse and the party was about to surrender. This hardened the government's position.

WITHDRAWAL OF STRUGGLE

Late in October 1951, A K Gopalan, on behalf of the Central Committee and the Andhra Committee, announced the withdrawal of the struggle. Though the government had rebuffed the negotiators, the CPI leadership was obliged to "advise the Telengana peasantry and the fighting partisans to stop all partisan actions" and to mobilise the entire people to rout the Congress at the general elections.²⁶

It was tame surrender because the party gave the peasantry no guarantee about protecting their hard-won gains. The withdrawal of the struggle meant surrender of all the guerilla zones and liberated villages to the Indian army,

was settling for parliamentarism.

The following agreed conclusions were drawn by the party about Telengana at the end of the struggle, according to Basavapunniah who was among its leaders:

(1) It is a crime to characterise the struggle as individual terrorism or squad terrorism.

(2) It was correct to have continued the Telengana armed struggle and guerilla struggle even after the Indian troops entered Hyderabad, and to defend land and other democratic gains, but it was not correct to have had as the aim "a people's liberation war for capturing political power and overthrowing the Central Congress Government".

(3) It was wrong to confuse or characterise every struggle of the peasantry or other exploited masses, whenever they are forced to use weapons, and especially peasant guerilla struggles, as the final revolutionary struggle or as the beginning of the final revolutionary struggle or as an intermediate part of such struggles.

(4) There was the danger of the movement degenerating into terroristic actions by squads and getting isolated from the masses. How long the armed peasant guerilla struggle should be continued, and when it should be withdrawn, depended on the ebb and flow of the movement;

(5) Stalin and the Soviet party leaders had said that it seemed difficult to continue the Telengana struggle further, that is, during the first part of 1951 and it was unfortunate that the Indian communist movement was not in a position to continue it. But they had left it entirely to the CPI to decide whether it should be continued or withdrawn;

(6) It was not possible to mechanically choose between the Chinese path and the Russian path and it was necessary to learn from the experience of both.²⁷

The struggle was called off late in October 1951, but the struggle leaders could explain what was virtually a *fait accompli* to the partisans in the forests only later. A conference of party leaders and guerilla fighters of the Amarabad forest region was held in the third week of November and it approved the decision to withdraw the struggle.

The underground leadership announced a reconstituted committee for Telengana with about 25 members drawn from the underground cadre as well as those released or still in prison. But General

ting the underground leadership, constituted an "Election Committee" and authorised it to function as the *de facto* State Committee. The underground committee asked the cadre to ignore this body except for election purposes. While the underground committee continued to guide the underground cadre, the Election Committee got the support of the open cadre. However, the underground cadre worked for the success of the People's Democratic Front through which the illegal party contested the elections.

LESSON OF THE ELECTIONS

Over 2,000 CPI cadres were still in jail when the elections took place. Over 1,000 were underground. The People's Democratic Front could run candidates in only 42 of the 98 constituencies in Telengana. The extent of the CPI victory is underlined by the fact 36 of the 45 candidates running under the PDF banner were elected. In addition 10 Socialist candidates that had the PDF's support also won. The Congress won 41 seats but 25 of these were located in Mahboobnagar and Hyderabad districts, where the PDF did not put up candidates. In the 'Red' district of Nalgonda, the PDF made a clean sweep of all the 14 seats; in Warangal, another 'Red' district, the PDF won 11 of the 14 seats; in Karimnagar it won 10 of the 15 seats. Thus 35 of the 45 seats the PDF won were located in those three districts where the CPI had conducted the Telengana armed struggle. Of the 2.5 million votes polled, the PDF got approximately a third, while the Congress, which had contested everyone of the seats, could only poll about the same proportion of votes. It was unmistakable that communist gains in Telengana were most spectacular precisely in those areas where the CPI had led the peasant partisan warfare or guerilla squad actions, inviting massive police and military repression. If the vote meant anything at all, it was a vindication of the Andhra communist line of Maoist armed struggle. It was convincing refutation of the vicious campaign that the Telengana armed struggle was isolated from the masses and was sectarian, anarchist and terrorist in character.

Even after the elections in January 1952, the cadre in Telengana continued to be divided. About 25 leaders, from the fighting areas as well as those in the open, met in February 1952 for a week to discuss the differences. Ajoy Ghosh, who attended the meeting

summed up the agreed conclusions and a united Telengana committee was formed to lead the movement.²⁸

The government's hunt against the underground squads did not stop even after the elections and arrests and prosecutions continued. The government's argument was that arms had not been surrendered and therefore the hunt could not be relaxed. As the logical step to the withdrawal of the struggle, the CPI decided to surrender arms.

The question here is: did the 1951 documents (on programme and tactics) warrant the withdrawal of the Telengana struggle? The present-day Maoist contention is that they did not and that the withdrawal was an act of betrayal by "revisionists" who wanted to take the party into the vortex of parliamentary politics by entering the 1952 general elections.²⁹ In their view, the Telengana armed struggle could have continued as a struggle to protect the gains of the peasantry, though not as a struggle for state power.

What followed the withdrawal was the quiet abandonment of the perspective of armed struggle because the party settled for peaceful constitutionalism, and eventually opted for peaceful transition to socialism.

One of the issues of controversy on the Telengana struggle is the Soviet attitude to its withdrawal. Rajeswara Rao, now General Secretary of the CPI, contends that the Soviet party and Stalin did not support the struggle until it was withdrawn.³⁰ But Sundarayya, the CPI(M)'s General Secretary, contends that the CPSU and Stalin thought that it was unfortunate that the struggle could not be defended or continued and that, therefore, the time had come for its withdrawal. It was, however, for the CPI leadership to decide when exactly and on what terms it should be withdrawn and how long it had to be continued to secure suitable terms.³¹

Whether the Soviet leadership supported the struggle till the end or not, its withdrawal had more than its tacit support.

CHINA'S ATTITUDE

Though the Communist Party of China now charges "Indian revisionists with betraying Telengana", it is silent on the Soviet and Cominform roles. An NCNA commentary on August 2, 1967 noted that for a long time the Indian communist movement had witnessed an intense struggle between two lines. The revolutionaries had

resolutely urged the seizure of power through armed struggle, that is, the path of the Chinese people, who were guided in their victories by Mao's Thought. "Some revisionist chieftains, however, feverishly pushed ahead with the revisionist parliamentary road resulting in doing tremendous harm to the Indian revolution." In 1946-51, base areas of armed struggle were established in Telengana where landless and poor peasants were aroused to seize land by armed struggle "and become the banner of the Indian people's revolutionary struggle of the time". The commentary said though the Indian revisionists described peasant armed struggles as adventurism and individual terrorism, the Telengana struggle grew under the radiance of Mao Tse-tung's Thought. In a party document in September 1950 and an open document in 1951, they villified the Chinese people's revolutionary war led by Chairman Mao and had put forward the theory of India's exceptionalism, hysterically preventing the Indian people from taking the road of Chinese revolution. Long after the Telengana "sell out" and after many setbacks the Indian peasants had realised the "futility of the parliamentary path and the need for armed struggle", it said.

It might be well to record here that there was even a veiled Chinese suggestion in June 1950 that the Telengana armed struggle might have been ill-timed. The timing of this suggestion (June 1950) is significant. The Andhra leadership had just taken over from B T Ranadive, but the Chinese party seemed to have some reservations about the Andhra leadership's line of peasant armed struggle. The suggestion came in the form of a reply to a reader from the editor of the *People's Daily*, the CPC's chief organ. After referring to communist peasant warfare in China, the editor declared that characteristics of the Chinese revolution "can under certain historical conditions become the common characteristics of all revolutionaries of other colonial and semi-colonial countries". He quoted from Liu Shao-chi's opening address to the Peking World Federation of Trade Unions conference on the desirability of armed struggle on the part of "many colonial and semi-colonial peoples" and from the Cominform journal's editorial of January 27. Quoting a statement by B T Ranadive (when he was the General Secretary of the CPI) fully endorsing the conclusions of this editorial and the lessons of the Chinese revolution as the infallible guide for

the CPI, the editor underlined the limited applicability of the Chinese example. It was in the nature of a warning to the CPI, against an unreserved acceptance of the Chinese model.

Armed struggle against imperialist aggression is essential for the liberation of many colonies and semi-colonies. But the time and place for conducting this kind of revolutionary armed struggle must be decided according to concrete conditions. It can by no means be conducted in any colony or semi-colony at any time without the necessary pre-conditions and preparations.³²

This, coupled with the absence of any critical comment on the withdrawal of the Telengana armed struggle later, suggests that the CPC had no objection to the withdrawal. According to Sundarayya, at no time between 1951 and 1967 did the Chinese say that the withdrawal was wrong "though they could have conveyed it on innumerable occasions when we had the opportunity to meet them personally. Once when we said in a mood of self-criticism that if we had had the correct understanding we could have retreated with much less losses and with greater gains, they told us not to stress that aspect but to bring forth the revolutionary significance of the fact that the Nehru government could not suppress a peasant partisan struggle even in a small part of the country."³³

GAINS OF THE STRUGGLE

The more important fact here is that the struggle was withdrawn and not defeated. It was the first armed struggle of the Indian communist movement over a wide area, resulting in a liberated zone of about 16,000 square miles covering 3,000 villages. For 12 to 18 months the entire administration in these areas was in the hands of village peasant committees. About 4,000 party and peasant militants were killed and over 10,000 communist cadres and others were thrown into prisons or detention camps for three to four years.

It was a revolutionary agrarian armed struggle to end the feudal order. The village committees in the liberated zones implemented the agrarian programme. Though this task could not be achieved completely, over 3 million acres of land was redistributed, forced labour was abolished, illegal extractions and feudal oppression of various types were ended. Evictions were stopped and a minimum wage ensured to agricultural labour. The struggle pushed the question of agrarian revolution to the forefront, compelling the

Congress to undertake land reforms.

It was a struggle for ending the autocratic rule of the Nizam and it contributed to achieving this objective. It was also a struggle for reorganising the states on the basis of language and it not only resulted in the eventual formation of a unified Telugu-speaking state but in the break-up of the Hyderabad state and the creation of other linguistic states (Maharashtra and Karnataka).

The Telengana struggle, as Sundarayya says, brought to the fore "almost all the questions concerning the strategy and tactics of the Indian people's democratic revolution for correct and scientific answers and realistic solutions".³⁴

Telengana divided the CPI until the armed struggle there was called off on the basis of the 1951 documents. But the origins of the 1962-63 Indian communist split can be traced to the difference over the Telengana line during its last two years. Sundarayya rightly observes that these differences crystallised into two hostile trends and those who opposed the struggle are by and large with the present day CPI while those favouring it went to the CPI(M). Though the CPI split synchronised with the international schism and was hastened by it, it did not represent a straight Moscow-Peking polarisation. The real ideological split in the Indian communist movement came after Naxalbari, in 1968.

Immediately after the 1952 selections, the CPI found itself divided in its attitude to the Congress party and its government headed by Jawaharlal Nehru. Should it fight the Congress all out or should it forge a united front with "progressive" sections to fight the "right reaction" which was growing inside the Congress and outside, was the issue. A united front would require support to Nehru's foreign and domestic policies against his critics both inside and outside the Congress party.

Soviet policies of the period had much to do with the CPI's dilemma. When, in the early 1950s, Nehru showed an anti-West orientation and sought closer ties, including economic aid, with the socialist camp, the Soviet Union supported India as a non-aligned ally in the peace front. The CPI backed Nehru's non-alignment policy without reservation because it served Soviet foreign policy interests. But the party remained divided on Nehru's domestic policies. Amidst the continuing CPI controversy, the Soviet leadership began seeing progressive features

not only in Nehru's foreign policies but also in his domestic policies. With this shift in the Soviet attitude, India became the pivot of Soviet policy for Asia.

SEEDS OF THE SPLIT

The CPI's 1951 programme had assumed that India was a semi-colonial and dependent country ruled by a big bourgeois-landlord government which was collaborating with British imperialism. This formulation now came under attack from a pro-Soviet section of the CPI which insisted that Nehru had abandoned collaboration with imperialism and had taken to peaceful co-operation and co-existence with the socialist camp. This group argued that India needed a national united front as the prelude to a government of democratic unity. Such a policy would require an emergency alliance with the Congress to resist the rightist offensive.

This line of thinking was to be developed later into a slogan for a "national democratic government". In December 1955, a few months before the 20th CPSU congress, the CPI General Secretary, Ajoy Ghosh, outlined a programme for "uniting with and struggling against the Congress" to build a national democratic front. This programme implied not only peaceful transition to socialism (a concept which was to be proclaimed at the 20th congress in February 1956) but also the concept of national democracy (proclaimed formally through the Moscow Statement of 81 communist parties in 1960). The CPI had thus anticipated two of the most controversial formulations which were later to be commended to the international communist movement by the Soviet leadership.³⁵ The same concepts became the major issues in the Sino-Soviet ideological dispute.

The Moscow declaration of 1960 described the national democratic state as a form of transition to socialism, especially in the non-aligned countries of the peace zone, in which the national bourgeoisie played an objectively progressive role and deserved socialist economic and diplomatic support. The national democratic state was one that had achieved complete economic independence from imperialism and was ruled by a broad anti-imperialist front that included the national bourgeoisie. The working class was to evolve as its leader only gradually. The concept of national democracy was a corollary to the concept of peaceful transition, and India was one of the countries of the peace zone where peaceful transition via the

Companies Legislation in India

Plea for a Rational View

Madan Gopal Jajoo

Legislation governing companies in India has possibly no parallel anywhere in respect of the frequency of amendments. The statement of objects of the latest Companies Act Amendment Bill refers to changes incorporated in the Companies Act of 1956 by the amending Acts of 1960, 1965 and 1969. There have been other amending Acts in 1956, 1963, 1964, 1966, 1967 and 1968. And even before the present amending legislation could complete the legislative circuit, proposals have been mooted for yet another amendment of the Companies Act. Company law administration in India evidently does not have much respect for the basic approach of the Jenkins Committee in UK which had pointed out that it was advisable "not to disturb longstanding provisions unless they have outlived their usefulness" and that "those who claim that the law should be altered should make out their case".

The statement of objects and reasons attached to the Bill cites as reason for bringing forward the Bill: "Cases of abuse or distortion of the system have of late assumed comparatively serious proportions." How far is this allegation in the statement of objects warranted by facts?

What is the precise nature of the alleged serious abuses? Why is there little significant public discussion of these abuses? In which respects are the existing powers (enlarged from 1956 to 1970) not sufficient to prevent these abuses or to take appropriate penal action against the offenders?

THE Companies (Amendment) Bill, introduced in Lok Sabha in August 1972, has been under consideration of the Joint Select Committee. It is rare for Parliamentary committees to come to the conclusion that the legislation under their scrutiny would not really serve a useful purpose. It is this writer's humble opinion that the Companies (Amendment) Bill, 1972, merits this dubious distinction.

The statement of objects and reasons of the Bill draws on the Report of the Jenkins Committee in the UK for a *prima facie* justification of frequent amendments to the Companies legislation. The Jenkins Committee was appointed in 1959 to review the experience of the working of the UK Companies Act 1948, i.e., about 12 years after the Act came into force. It presented its Report in 1962. Though its terms of reference were wide, it found it advisable to make 'selective' recommendations. Legislation to implement Jenkins Committee Report followed in 1967.

The Jenkins Committee observed in para 6 of its report:

"This elaboration of the law can generally speaking be fairly justified as having been found necessary in order to keep effective control over the growing and changing uses of the company system as an instrument of business and finance and the possibilities of abuse inherent in that system. It would be wrong in principle to disturb in any important respect longstanding provisions designed to serve these ends unless they have clearly outlived their usefulness or are demonstrably objectionable on other grounds."

The statement of objects of the Bill

conveniently cites a part of the above quotation: "growing and changing uses of the company system as an instrument of business and the possibilities of abuse inherent in the system" and overlooks the Committee's considered opinion in favour of not making frequent changes. Incidentally, it should be noted that the Jenkins Committee made this comment in the context of elaboration of law and not in relation to its frequent amendments.

FREQUENT AMENDMENTS

Evidently, company law administration in India does not have much respect for the basic approach of the Jenkins Committee, namely that it was advisable "not to disturb longstanding provisions unless they have outlived their usefulness" and that "those who claim that the law should be altered should make out their case". Legislation governing companies in India has possibly no parallel anywhere in respect of frequent amendments. The statement of objects of the Bill refers to changes incorporated in the Companies Act of 1956 by the amending Acts of 1960, 1965 and 1969. There have been other amending Acts in 1956, 1963, 1964, 1966, 1967 and 1968. Even before the present amending legislation could complete the legislative circuit, proposals have been mooted for yet another amendment of the Companies Act.

The statement of objects and reasons attached to the Bill cites as reason for bringing forward the Bill: "cases of abuse or distortion of the system have of late assumed comparatively serious proportions". This statement possibly takes a cue from the remark quoted

earlier from Jenkins Committee Report, viz., "possibilities of abuse inherent in the system". How far is this allegation in the statement of objects warranted by facts? What is the precise nature of the alleged serious abuses? Why is there little significant public discussion of these abuses? In which respects are the existing powers (enlarged from 1956 to 1970), not sufficient to prevent these abuses or to take appropriate penal action against the offenders?

Section 638 of the Companies Act 1956 has placed a statutory responsibility on the Company Law Board to lay before the Parliament every year a report on the working and administration of the Act. The last report (for the year ended March 31, 1971) was submitted in February 1972. Its perusal does not disclose any developments which may justify the statement that "cases of abuse have of late serious proportions". Nor does the latest Report (nor any of the earlier ones) make any mention of absence of adequate legislative powers which hamper the administration. The Report for 1970-71 says, apropos the inspections carried out under section 209(4) of the Act:

"These inspections enabled the Government to have an insight into the working of the companies belonging to big groups especially with regard to intercorporate investments and loans and advances, sole selling agency arrangements, distribution of managerial remuneration and payment of salaries for holding offices or places of profit to the directors and their relatives." "In conclusion, it may be pointed out that in as much as there was only a limited number of officers and staff available to the Directorate of Inspection and Investigation it was not pos-

national democratic state was possible.

The "national democracy" concept added a new dimension to the CPI's continuing struggle for a new programme to replace the 1951 document. As Nehru's domestic policies shifted to the right and tension grew on the Sino-Indian border, the attitude to the Indian bourgeoisie continued to be the central issue in the CPI debate which took a predictable form: national democracy versus people's democracy. The right-wing of the CPI, which had the Soviet backing contended that India's bourgeois democracy could metamorphose into a national democracy. It placed heavy reliance on Soviet aid as the instrument to secure national democracy. The left wing countered this by arguing that the bourgeoisie was compromising with domestic reaction and imperialism. Soviet aid, although necessary, was being used by the bourgeoisie to bargain for more aid from the West. Rival programme drafts were presented at the CPI's sixth congress and the split was averted only by the intervention of Mikhail Suslov, who headed the high level CPSU delegation to the CPI congress. Suslov, anxious to preserve CPI unity, managed to salvage the rightist line and to manoeuvre the congress into shelving the issue of a new CPI programme. The conflict continued behind the scenes until the CPI split in 1964, after which the CPI as well as what later came to be known as the CPI (M) adopted their own programmes.

Thus the factors underlying the 1962-63 split date back to the Telengana armed struggle and the differences over it.

The real significance of Telengana however lies elsewhere: it was the first application of the Maoist revolutionary model outside China even before the Chinese revolution had triumphed fully and China had proclaimed itself a people's republic. Over 20 years later, Naxalbari brought to the fore once again all the theoretical and ideological questions concerning the strategy and tactics of the Indian revolution but in a changed context: the international communist movement had split on issues of ideology and Moscow had ceased to be the sole centre of the international communist movement.

Notes

1 For the most comprehensive account of the Andhra Mahasabha's movement in Telengana and of the beginnings of the communist

movement in the area, see Ravi Narayana Reddy, "Veera Telengana — Na Anubhava" (Telugu), Andhra Pradesh Communist Council, 1972.

2 P Sundarayya, "Telengana People's Struggle and Its Lessons", Communist Party of India (Marxist), Calcutta, 1972, pp 7-27. Also, Raj Bahadur Gour, et al., "Glorious Telengana Armed Struggle", Communist Party of India, New Delhi, 1973. "Why the Ultra-Left Deviation?" Communist Party of India (Marxist), Calcutta, 1968.

3 P Sundarayya, "Visaalandhralo Praja Rajyam", Telugu, Vijayawada, 1946, p 6.

4 A Zhdanov, "The International Situation", "For A Lasting Peace, For People's Democracy", Bucharest, November 10, 1947.

5 See Mohan Ram, "Indian Communism — Split within a Split", Vikas, New Delhi, 1969, pp 7-21.

6 P Sundarayya, "Telengana People's Struggle and Its Lessons", op cit, p 392-3.

7 "Struggle for Peoples Democracy and Socialism — Some Questions of Strategy and Tactics", Communist, Bombay, June-July 1949.

8 E M Zhukov, "Problems of National and Colonial Struggle", Colonial People's Struggle for Liberation, People's Publishing House, Bombay, 1950, pp 1-11.

9 V Balabushevich, "The New Stage in the National Liberation of the People of India", "Colonial People's Struggle for Liberation", op cit, pp 32-59.

10 For A Lasting Peace, For A People's Democracy", December 30, 1949.

11 "Mighty Advance of the National Liberation Movement in the Colonial and Dependent Countries", "For A Lasting Peace, For People's Democracy", January 27, 1950.

12 Ibid.

13 P Sundarayya, op cit, p 387.

14 Ibid, p 392.

15 C Rajeswara Rao, "The Historic Telengana Struggle", Communist Party of India, New Delhi, 1972, pp 31-33.

16 P Sundarayya op cit, p 393-4.

17 PHQ Covering Note to the Letter of the Political Committee of the CPGB to the Communist Party of India, December 6, 1950.

18 P Sundarayya, p 399.

19 "Palme Dutt Answers Questions on India," Crossroads, January 19, 1951.

20 Deven and Bal Krishna, "Talks With R Palme Dutt and Other Impressions Gained Abroad", PHQ Unit, Bombay, January 6, 1951.

21 This was amended and adopted by the All-India Party Conference in October 1951, and later by the third (Madurai) congress of the party in 1953. But it was put in abeyance by the fourth (Palghat) congress in 1956 on the ground that it needed important changes.

22 Statement of Policy of the Communist Party of India, Bombay 1951.

23 "Communist Conspiracy at Madurai", Democratic Research Service, Bombay, 1954. This is the first published version of the secret document and the CPI denounced it as "forgery". But Sundarayya has now vouched for its authenticity, see P Sundarayya, op cit, pp 409-14.

24 Text of resolution in P Sundarayya, op cit, p 417ff.

25 Ibid, p 428.

26 "CPI Advises Stoppage of Partisan Action in Telengana", Crossroads, October 26, 1951.

27 P Sundarayya, op cit, p 415-6.

28 Ibid, p 432.

29 Chandra Pulla Reddy, "Veera Telengana Viplava Poratam" (Telugu), Janasakthi Publications, Vijayawada, 1968, P 51.

30 C Rajeswara Rao, "The Historic Telengana Struggle", op cit, p 34.

31 P Sundarayya, op cit, p 415-16. Also, M Basavapunniah, "Lessons of Telengana Struggle — and the Revisionist Betrayal", Peoples Democracy, November 5, 1972.

32 "An Armed People Opposes Armed Counter revolution," People's Daily, June 16, 1950, People's China, July 1, 1950.

33 P Sundarayya, op cit, p 433.

34 Ibid, p 4.

35 Mohan Ram, "Maoism in India," Vikas, New Delhi, 1971, Chapter 1.

Bihar Alloy Steels

BIHAR ALLOY STEELS, which is setting up a project in Hazaribagh district of Bihar for the manufacture of alloy constructional steels, alloy tool steels and high speed tool steels, expects to commence operations of the plant before the end of May next. Construction of various factory buildings is in progress and machinery is expected to start arriving from July. The directors urged the government to declare Hazaribagh as a 'backward' district on the plea that the employment problem is very acute there. If it is declared a 'backward' area, its development would be expedited and the people would have more employment opportunities. Meanwhile, the company's project cost has gone up owing to virtual devaluation of the rupee twice *vis-a-vis* the various European currencies. Also, increases in import duties on machinery and various other levies on steel, etc, imposed in the last two budgets have added to the cost. The directors say that the exchange rates of various foreign currencies are still in a fluid state and that as soon as the exchange rates are stabilised, the revised project cost would be worked out and arrangements made to meet the shortfall.

TABLE 1: NON-GOVERNMENT COMPANIES AT WORK

	31-3-1959	31-3-1969	31-3-1971
I Companies Limited by shares			
Public Limited Companies	7723	6164	6443
Private Limited Companies	19653	21543	23655
II Companies Limited by Guarantee	1323	1188	1220
III Foreign Companies (section 591 of the Act).	572	564	543
	29371	29459	31861

sible to take up more companies for inspection, although a larger coverage was the target aimed at. Since the inspections are undertaken in the interest of better administration of the law, it is necessary that all the important companies in the corporate sector are inspected in the shortest possible time. To achieve this objective appropriate action to strengthen the Directorate of Inspection and Investigation by augmenting its strength at all levels especially in the Regional offices, was initiated."

There is no gainsaying that if it is administrative deficiency which accounts for ineffective action against abuses, then no amount of additional legislative sanctions will meet the stated objective.

It may be worthwhile to examine the available data to ascertain the nature and extent of 'cases of abuse'. The annual Reports referred to above contain statistics regards (1) complaints received by Registrars of Companies, (2) nature of defaults in respect of which prosecutions were launched against companies and/or their officers (3) cases where action was taken for investigation, inspection, protection of minority rights, etc, and (4) applications for approval of Government in respect of appointment and remuneration of managerial personnel and other discretionary powers vested in the Government. In considering this data it will be useful to note the number of companies at relevant periods (Table 1). Over a period of 10 years there was little increase in the number of companies; though, in the last 2 years there has been a small improvement.

The 1958-59 Report states that during the period of 3 years (April 1956 to March 1959) the Registrars of Companies received nearly 4,000 complaints from Company shareholders,

TABLE 2: COMPLAINTS RECEIVED BY THE REGISTRARS OF COMPANIES

	1968-69	1970-71
Mismanagement	194	231
Misappropriation	52	32
Fraud	24	20
Misappropriation of the funds of the Company	12	15
Technical offences (non-receipt of balance sheet, dividend warrant, notice transfer of shares, etc)	533	475
Other complaints	345	303
	1160	1076

employees and creditors. The allegations concerned mismanagement, misappropriation of funds, fraudulent dealings, manipulation and falsification of accounts, delay (or failure) in holding annual general meetings, non-publication of accounts, refusal to grant inspection of registers, etc. Recent reports furnish a breakup of the complaints as shown in Table 2. It will be seen that over the years, there has been a decline in the number of complaints. Moreover, a substantial number of complaints concerns defaults of a technical nature. This is corroborated by analysis of the nature of defaults in cases in which prosecution was launched (Table 3).

The number of prosecutions show a marked increase over the period 1958-59 to 1968-69; however, the increase in the number of prosecutions in the last two years is about proportionate to the increase in the number of companies at work. In any event, the larger number of prosecutions bespeaks of greater administrative vigilance and action rather than increase in dereliction of duty on the part of companies. One has also to take account of the elaborate procedural burden cast by the Companies Act 1956 and its numerous amendments which the smaller companies are not in a position to discharge properly. Lest this increase in the number of prosecutions evokes the usual complaint of failings of private sector, it will be instructive to read the following observations in the Report for 1970-71:

"The Company Law Board has also been impressing upon the management of the Government companies the responsibilities cast on them by the provisions of the Companies Act 1956, and the fact that in regard to compliance with these provisions the companies in the Public Sector stand on the same footing as companies in the Private Sector."

TABLE 3: NATURE OF DEFAULTS IN CASES OF PROSECUTIONS

	1958-59	1968-69	1970-71
Submission of Annual Returns	843	1264	1513
Convening Annual General Meeting	574	251	363
Submission of Annual Accounts	408	653	794
Filing of Balance Sheet with the Registrar	362	1858	2264
Filing of Statements pertaining to pending liquidations	201	112	140
Other requirements	107	450	451
	2495	4588	5525

"Consequent on the recommendation of the Administrative Reforms Commission the proposal to exempt the Government companies from the applicability of some of the provisions of the Companies Act 1956, which are considered to be superfluous and irksome formalities in their application to the wholly owned Central or State Government companies is still under the consideration of the Department."

Like the Government companies, most of the smaller private companies can lay equally justifiable claim to exemption from the same 'superfluous and irksome provisions'. It is non-compliance with these provisions which accounts for most of the prosecutions.

Mention has been made earlier of inspections of companies carried out under Section 209(4) of the Companies Act. There are other provisions of the Act which authorise the Government to carry out investigation into the affairs of a company. The Reports furnish data of investigations carried out under Sections 235 and 237, special audit of companies ordered under Section 233A, and investigation of cases of mismanagement or oppression of minority shareholders under Sections 397 and 398. The number of cases covered every year under all these heads for several years past has been less than 50; there has been no change in this to justify the statement that cases of abuse have assumed comparatively serious proportions.

DISCRETIONARY POWERS

Approval of the Central Government is also required in many other matters: e.g, presentation of the Balance Sheet in a form different from that set out in Schedule VI, exemption of branch offices from the provision of compulsory audit, etc. Other important provisions which require approval of the Central Government are appointment of managing directors or managers, remuneration of managing director, other directors or manager, making of loans to directors or other bodies corporate, amendment of provisions in the Articles of Association pertaining to directors, etc. The total number of such applications in 1970-71 was about 2,000. Though figures for earlier years are not comparable because of the abolition of

the Managing Agency system in 1970, it can well be said that there has been no significant increase in these applications.

Available data does not show how many of these applications were approved *in toto* or approved with modifications or rejected. However, assuming that a large number of the applications being received by Government for approval are either sanctioned with modification or are rejected, would this not bear out the contention that the companies making these applications are guilty of practices which are undesirable or result in distortion of the system? One can say without hesitation that such a conclusion would be far from correct. Take, for example, the case of a company making an application for approval of remuneration to its Managing Director. The Company Law Board may not wholly approve the remuneration proposed and advise reduced payment in some item of perquisite or remuneration. May be the company makes out a case for higher remuneration than that suggested by the Company Law Board and the latter relents; or the company accepts the Board's views. The relative provision in the Companies Act has been in force for 17 years; the Company Law Board (or its predecessor) has had different criteria to guide its decision in this matter. At all times, the administration has consistently held that for remuneration to be paid to managerial personnel each company's case has to be judged on merit and that it is not possible to reduce it to an abstract formula of universal application. Many of the other discretionary powers vested in the Government are decided by similar subjective judgments. None of these cases would support the charge of abuse of serious proportion.

Another reason mentioned in the statement of objects is the "distortion of the system". This phrase, though widely used in pseudo-economic discussions in India, has no precise meaning in the present context (and was probably used for this very reason). What is the nature of the system and how are distortions being caused to it? In the widest sense, the system would cover the whole economy. However, the corporate sector in India has no role in the agricultural sector (excluding the plantations), transport and public utilities or other infrastructure activities. With the nationalisation of major banks and general insurance, the private corporate sector's role in the financial field has also become insignificant. The private corporate sector's role is thus limited to the fields of industry and commerce, which are covered by a

host of statutory regulations: Industries (Development and Regulation) Act, Exchange Control, Import and Export Controls, Prices and Distribution Controls, Industrial Relations and Wages Regulations, etc. The Companies Act has but a limited function in this broad spectrum of regulatory devices.

NO ROLE FOR SHAREHOLDERS

The Jenkins Committee Report contains the following comments which are pertinent to the issues under study:

"The business corporation is a device for enabling an expert body of Directors to manage other peoples' property for them. Since these managers are looking after other peoples' money, it is thought that they should not be totally free from any control and supervision and the obvious persons who exercise some control are the persons whose property is being managed. Hence the basic principle adopted by British Company Law (and, indeed, by the laws of most countries) is that ultimate control over the Directors should be exercised by the shareholders."

"... [successive ... Committees have ...] made it their major concern to find means of making it easier for shareholders to exercise a more effective general control over the management of their companies."

"Another instance of conflicting considerations is to be found in proposals for giving shareholders closer control over their Directors. It may be theoretically desirable that shareholders should have a more effective voice in the management of their company's business of which they are ultimate proprietors. As against this no company's affairs can be managed properly, or indeed managed at all, otherwise than through a Board of Directors with a reasonably free hand to do what they think best in the interests of the Company. The risk (which must not be exaggerated) that dishonest directors may abuse the trust reposed in them must be accepted if business is to go on."

These are weighty considerations but, unfortunately in India, they have not found favour with the Government. On the basis of the historical experience upto early 1950s, the Government concluded that shareholders are not aware of their rights, or even if they are aware, may not exercise those rights effectively. Instead of educating the shareholders as to their rights and ways of exercising them effectively, the Government chose the alternative of vesting control over directors in the Government.

The inevitable result has been that the shareholders' role in the management of their companies is of no great consequence. In free enterprise econo-

mies, specialist financial institutions, securities (share-broker) firms and the financial press keep a vigilant watch on the working of companies. The bigger securities firms in the US (and Japan, UK, etc) have a sizeable staff of analysts who devote the whole of their time to study 25/30 companies each and keep abreast of the developments of the companies and the industries in which the companies operate. This in-depth study is an essential ingredient of correct appraisal of a company's past performance, current working and future prospects. The approach leads to knowledgeable discussion of various matters affecting the companies; this is in turn facilitated by the willingness of company managements to readily provide better information. It is an important factor in the dynamism of these economies.

By vesting authority in Government in many important matters affecting companies, we seem to have turned our back on shareholders' education and vigilance. In the USA or Japan a research analyst, a fairly capable executive, works continuously to acquire the necessary knowledge of the industry and the 25/30 companies he studies. Judgment of operational, management or investment policies of a company is based on this knowledge. It is not possible for the bureaucracy entrusted with the regulation of companies and having a bias towards procedural compliance rather than appraisal of performance to meet this purpose. If we are thinking of the proper functioning of companies in the economic system, in a broad sense, it is this aspect that should merit our consideration.

In the light of the earlier discussion one may well conclude that the *raison d'être* of the Companies (Amendment) Bill 1972 is not apparent from the statement of objects and reasons. A brief analysis of the proposed amendments attempted below, may throw better light on the objective behind the changes.

There are 39 clauses in the Bill. However, amendments of a substantive nature are 12. Clause 2 proposes *inter alia* new definitions to cover (a) the procedural requirements for acceptance of deposits from the public; (b) a 'group'; and (c) the nature of duties the Secretary of a company is to perform. The 'group' is the center-piece for amendment of the term 'same management' proposed by clause 3. This clause also proposes a definition of 'public financial institutions'. Pursuant to the policy that these public financial institutions will have a pre-

emptive right to convert a part of their loans into equity share capital, changes are being proposed in Section 94 of the Act (*vide* clause 9 of the Amendment Bill). Clause 5 of the Bill proposes amendment of the existing Section 43A of the Act which redefines the concept of a deemed public company on the bases of structure of shareholdings in both public and private limited companies, the paid-up capital and the turnover. Clause 6 provides that a company which wishes to accept deposits shall issue an advertisement which shall conform to the provisions of the Act in relation to the issue of a prospectus. Clause 10 of the Bill makes approval of Central Government necessary for acquisition of shares in public limited companies with paid-up capital exceeding Rs 25 lakhs if the shareholding proposed to be acquired exceeds 25 per cent of the paid-up capital. Similar approval will be necessary for transfer of equity shareholding if the existing shareholdings of the companies under the same management exceeds ten per cent of the paid-up share capital; and if the shares to be transferred are of a company engaged in an industry specified under the Industries (Development and Regulation) Act, the Government shall have a pre-emptive right to those shares. Under clause 13 every person who holds shares beneficially and every registered holder who does not have beneficial interest in the shares will have to make a declaration in respect of such shares.

PAYMENT OF DIVIDEND

Clause 16 stipulates mode of payment of dividend through a special dividend account; payment of dividends out of accumulated reserve shall be subject to compliance with such rules as may be framed for this purpose and vests in the Government dividends unpaid for three years. Clause 20 makes it obligatory for a company to obtain approval of the Central Government for re-appointment of auditors after their having held the appointment for a period of 3 years and for approval of government to the appointment of auditors in companies in which public financial institutions, nationalised banks or insurance companies or Central or State Governments or Government companies hold not less than 25 per cent of subscribed share capital. Similarly, under clause 23 reappointment of Managing Director has to be approved by Government even though there are no changes proposed in respect of remuneration, etc. Clause 24

provides that the Government may, if the demand for any goods is in excess of supply or production thereof, decide that appointment of sole selling agents will not be necessary; and that appointments of sole selling agent by a company having paid-up capital of Rs 50 lakhs or more may be made after approval by general meeting by a special resolution and the approval of the Central Government. Clauses 25 and 26 make approval of Government necessary respectively, (a) in cases of contracts entered into by a company with paid-up capital exceeding Rs 25 lakhs in which any Director is interested, and (b) appointment of Directors as legal or technical advisers or appointment of relatives of directors to offices of profit if the salary proposed to be paid exceeds Rs 3,000 per month. Lastly Clause 30 proposes amendment of section 408 so that Government may nominate more than 2 directors on the Board of Directors of a company in circumstances specified in the clause and further empowers the Government to issue such directions to the Board of Directors as it may consider necessary or appropriate in regard to its affairs. The Joint Select Committee surely has received many representations from the interests directly affected making detailed suggestions in regard to the amendments. This paper purports an examination of some of the changes from the viewpoint of an economist.

Firstly, two rather minor issues. One relates to the proposal for opening of a separate dividend account and regulation of payment of dividend out of accumulated reserves, etc. The avowed purpose is to prevent companies from "declaring dividends when no profits in the shape of liquid funds are readily available". The Companies Amendment Bill 1959 had a similar proposal for depositing the amount of dividend in Bank and the Joint Select Committee which scrutinised the 1959 Bill had rejected it. The proposal has been revived with a suggestion that profits can only accrue in the shape of "liquid funds". Why should only the profits being distributed as dividend be in the shape of liquid funds? All profits, whether current or past accumulated ones accrue not wholly or mainly in the shape of liquid funds but as additions to the various assets employed in the company's business. Conversion of the various assets into cash for expenditure (for materials or wages or dividend) is a function of the management. Within the constraints imposed by production facilities, market conditions and available financial resources, managements have to meet the

various liabilities including payment of dividend. Rather unusually, a company may not be able to pay dividend by the stipulated date. But there are instances of companies being unable to make wages or other payments also by stipulated date. If profits accrue in the shape of liquid funds, in which form do wages or payments for materials or taxes accrue? The suggestion that payment of dividend out of accumulated reserves is improper runs counter to the whole concept of equity share capital. Managements consider many factors before deciding on payment of dividend; one is the liquidity position of the company; another is the necessity of maintaining steady dividend. Most big companies have thousands of small shareholders who have an expectation of normal dividend return from their holdings. Apart from putting handicaps on effective functioning of managements, the amendment will not serve any useful purpose.

PROTECTION FOR THE MINORITY

The other amendment in this category is of section 408. The heading of the section reads: Powers of Government to Prevent Oppression or Mismanagement. It defies all logic that protection of the minority is not found feasible except by turning the majority into a minority. Irrespective of how the appointment is made, every director of a company is *inter alia*, entitled to full information on the affairs of a company; he has a right to inspect books of account and other documents. A nominee director, even if he and his colleague are in a minority, would be able to become fully familiar with the company's affairs and offer useful suggestions to the Board of Directors. The other directors can hardly afford to ignore suggestions made by the nominee directors if these are sound and in the interests of the company. Difficulties probably arise because the nominee directors are not happy about a restricted role and wish to enforce their views. It will be interesting to know the specific cases in which directors have proved ineffective. Even in these difficult cases relief is available through the court. It is in the interests of all parties that adjudication of the issues should be through the judicial process. Assuming there are some intractable cases the other amendment empowering the Government to issue directives should be sufficient.

Long-term deposits from the public (i.e., persons other than directors and their relatives) have been a special feature and an important source of

industrial finance in India. The Reserve Bank commenced regulating deposits by non-banking companies after 1964. The first notification in May 1964 asked for returns to be submitted periodically; then followed in January 1966 a stipulation regarding minimum period of deposit and after December 1966 another restricting the total quantum of deposits. The Reserve Bank has been thus well placed to deal with the problem; based on this knowledge, the Bank has made changes in the regulations from time to time. This regulation by Reserve Bank has been found satisfactory by all the interests concerned. It did not purport to provide complete protection to the depositors. The Companies Amendment Bill proposes to make acceptance of deposits more expensive; but it would not provide any better security for the depositors. The amendment stipulates that companies may accept deposits pursuant to an advertisement and that the advertisement shall comply with the requirements of a prospectus. The prospectus for inviting subscription to share capital is such a hoary institution in Company Law that it will be blasphemy to question its usefulness. However, it may easily be verified that in cases of a large number of new companies which have proved financially unsuccessful, the prognosis could not have been known by a study of the prospectus. There are many factors which account for success of an enterprise; in India these factors are more complex than elsewhere. A prospectus would be helpful only if malafide action of managements is the cause of the financial woes of a company. This is not the usual cause. If the objective is prevention of excessive borrowings it is effectively achieved by the Reserve Bank's existing directives. In any event, preparation of a prospectus, its printing and circulation would involve considerable expense which may be disproportionate to the amount of finance it may help to raise. A prospectus is related in point of time to the issue of share capital. In case of deposits it is likely to be impossible to achieve this correlation. In all these matters, small companies will be put to great hardships.

As noted earlier, the growth in the number of companies in the past 15 years has been slow. However the number of chartered accountants qualifying has been increasing rapidly. Possibly a few of the chartered accountants who pass may not find employment or work. As compared to chartered accountants, graduates of

engineering, social sciences or, recently, other technical faculties are having greater difficulties in finding jobs. The legal profession has always been overcrowded. Yet the suggestion that the older people in the auditing profession have a monopoly has not found an echo in other fields. On the analogy that a chartered accountant should not continue as auditor for more than 3 years, it might well be said that there should be similar changes in doctor or lawyer or architect, etc. Perhaps the Central Government might decree that all the Government contractors or suppliers should cease to do business with the Government after a period of 3 years! More seriously, what objective standards are proposed to be applied by Government in giving consent to reappointment of the same auditors after 3 years? Perhaps, the number of companies of which the firm acts as auditor, the size of the firm (numbers of partners or employees or both?) and the sizes of the companies audited may be thought to be relevant. Eventually, it might be a matter of subjective judgment. Or again, it may prove to be yet another case of applying an administrative ceiling, this time to the fees that an auditor's firm may earn. The obvious solution to the problem posed by the ever-increasing number of job seekers, be they chartered accountants or chartered secretaries, is that the corporate sector should grow at a faster pace. Unfortunately the proposed amendments, which would make the task of company managements very difficult, would have the opposite effect.

SELLING AGENTS

The proposed amendment regarding selling agents shows how a government immersed in coping with scarcities finds itself unable to take a rational or pragmatic view. Capitalist economies are normally faced with the problem of supply of goods, in most cases, being in excess of demand. That "the demand for goods of any category ... is substantially in excess of the production or supply" will be a passing phase. It cannot be treated as a permanent feature. In India, on other hand, public policy appears to think of excess of demand in relation to supply as the normal state of affairs.

The amendment says that the Government may assess the demand and supply for any type of goods. Our experience of planning shows how difficult it is to forecast either the demand or supply even of major product groups. Obviously the Company Law Adminis-

tration is not equipped to undertake this job. Yojana Bhavan should be chary of making estimates of demand for goods that are not matched by increases in supply. Whoever undertakes the job, it is well to remember that such estimates, even when based on better data than available in India, often prove wrong because human behaviour is unpredictable and defies all rational calculation. The basic reason for the proposed amendment lies in the desire to avoid the selling agents' commission, if it is a device for distributing income. Under the existing provisions CLB does, if it is found justifiable, reduce the commission that a company may pay its selling agents. These decisions have been upheld in legal action. It will be eminently reasonable for the administration to maintain the *status quo*.

By another amendment it is proposed that appointment of selling agents by companies with paid-up capital in excess of Rs 50 lakhs will require approval of the government. This has no justification other than the desire to put additional fetters on managements.

The Amendment Bill has adopted, interestingly, different bases for selection of companies which deserve greater control by Government. In the case of selling agents, it is paid-up capital of Rs 50 lakhs; for restrictions on transfer of shares it is paid-up capital of Rs 25 lakhs; and for a private company to become a deemed public limited company it is paid-up capital of Rs 25 lakhs and turnover of Rs 50 lakhs. Does this purport to show that a company with a paid-up capital of Rs 25 lakhs is a big company? In terms of real resources paid-up capital of Rs 25 lakhs today is equivalent to paid-up capital of Rs 10 lakhs 20 years back, and in another 10 years' time, Rs 25 lakhs will be perhaps equivalent to Rs 5 lakhs in terms of 1950 prices. Perhaps the administration suffers from the complex of thinking in terms of the past. A lakh of rupees was a big sum when most of the senior bureaucrats were young. Unfortunately, the value of money has eroded fast and the future does not hold a prospect of respite. It will be in the national interest to shed the illusion of treating a company with Rs 25 lakhs capital or Rs 50 lakhs turnover as big and hence deserving special regimentation.

TAKE-OVER BIDS

An outstanding feature of the Amendment Bill is the concerted attempt to freeze the existing ownership and management of companies *vide* the proposed section 108A (acquisition of more than

25 per cent equity share capital); 108B (transfer of more than 10 per cent equity share capital not to be made except with prior approval of the Government), 108D (in case of change of controlling interest which may be considered prejudicial to the public interest, the Central Government may issue directions not to give effect to the transfers), etc. In a society 'committed' to change, the dice is being loaded against persons seeking change. One hears daily outbursts against "vested interests", and here is another attempt to protect the same "vested interests".

Firstly, a point of minor detail. To describe any change in the controlling interest of a company as a 'take-over bid' is a misnomer. In all major industrial societies attempts, successful or otherwise, are made to acquire either controlling interest in, or the whole of the share capital of, another company. One of the methods of acquisition is buying the shares on a stock exchange; another is by public announcement of readiness to buy shares of the company proposed to be acquired for cash or for shares of the acquiring company or both. Such attempts at acquisition which are opposed by the shareholders having controlling interest in the first company may lead to a situation which is described as a 'take-over bid'. The objects of a take-over bid may be either to rationalise the business or to use the assets more efficiently or even to diversify the interests of the acquiring company. In late 1950s, takeover bids became sufficiently significant for the UK Government to include in the terms of reference of the Jenkins Committee consideration of this specific item. The Jenkins Committee was of the opinion that take-over bids are an essential feature of economic growth and development. There is no odium attached to take-over bids or any changes in controlling interest in other countries.

Such changes in controlling interest in respect of old established companies in India have not been very numerous. In some of them, the controlling block of shares had changed hand by negotiation between the parties and hence by mutual consent. In some other cases sufficiently large number of shares were acquired in the open market which were sufficient to dislodge the then existing management. It is a specious argument that those who acquire control of a company must treat all shareholders alike; this means that one who proposes to acquire the controlling interest in a company must acquire 100 per cent of its shares even though those from whom control is being acquired may have had only, say, 30 per cent. This is what leads one to describe it as load-

ing the dice against change.

Another facet of this is the suggestion that the proposed new management should be considered satisfactory. How does one have satisfactory antecedents unless one has managed a company? There could be just two ways of acquiring control: by inheritance and through acquisition of sufficient shareholding. If the second alternative is frowned upon, a government committed to change will be fostering continuance of management by inheritance. The amendment contained in the proposed section 108B is also likely to lead to the same result. According to it any person who holds either by himself or with other persons in the same group more than 10 per cent of the equity share capital in companies engaged in specified industries may continue to hold it at his pleasure; but should he desire to sell any part of it, he has to face the risk of Government exercising the pre-emptive right to purchase those shares.

The real purpose of the Amendment Bill is to ensure that in all important matters changes are made with the approval of Government. Of course, the statement of objects and reasons does not say so. The Bill does not have a redeeming feature unless one believes that greater control by government is *per se* good. It will, of course, not be practical politics to expect the Select Committee to decide against reporting the Bill. It has also to work within the framework of the legislation submitted to its scrutiny. Keeping in view these limitations, it is suggested that the Committee may adopt a useful

feature of the Commercial Code of Japan in substitution of approval of government for diverse matters. According to the Japanese Law, in specified matters ordinary resolution means approval by not less than 50 per cent of shareholding; in matters considered more important, approval by special more important, approval by special resolution means approval by three-fifths majority. Under our Companies Act, Ordinary or Special Resolution requires approval of majority or ¾th majority respectively of shareholders present at the meeting but not the proportion of total shareholding. The Japanese Law ensures that in important matters the decision of the actual majority of share capital (in some cases a three-fifths majority) shall prevail. This is another facet of the consensus method which governs the Japanese way of life.

It may be said that the provision for a sufficiently large majority of total share capital may not meet the purpose of ensuring compliance with the ideas of government. This fear is unreal in case of the bigger public limited companies because of substantial shareholdings in these companies of Life Insurance Corporation of India, Unit Trust of India, the nationalised banks, General Insurance Corporation and the other public financial institutions. Adoptions of this proposal will be a step in the direction of better education of shareholders. Greater knowledgeability and vigilance on the part of shareholders will ensure better performance of the companies; the constraints proposed by the Amendment Bill will not meet this objective.

Zuari Agro Chemicals

ZUARI AGRO CHEMICALS achieved mechanical completion of its project in July 1972 as per schedule, but the start-up operations continued much beyond expectations owing to a set of adverse factors — a delay of some five months in the commissioning of the public water supply scheme, power interruptions, and a serious defect noticed in the syngas compressor, which necessitated dismantling and reinstallation of the compressor, besides changing a substantial portion of the high pressure piping of the synthesis loop. Having crossed these hurdles, the company now expects to commence urea production soon. The company has been served with a notice of termination of the supply of phosphoric acid, the main feedstock for production of compound fertilisers, by the Mexican firm of Fertilizantes Fosfatados Mexicanos. It is intended to take legal action in the matter, if necessary. In the mean-

time, alternate sources of acid supply are being located. Till such time as acid supplies become available, it is proposed to convert the whole of the ammonia produced into urea, for which the plant has built-in capacity. This may cause delay in the production and distribution of compound fertilisers, but the management says that its financial impact on the company's working will be only "marginal". As a result of the change in the Union government's policy of direct allocation of seeding materials, the company had to restrict purchase and sale of fertilisers to the limited quantities made available by the state governments. Therefore, turnover was only Rs 4.19 crores against Rs 9.02 crores in 1971 and the loss under this head increased to Rs 37 lakhs from Rs 30 lakhs of last year. At the year-end, the expenditure charged to capital assets stood at Rs 51.02 crores.

Vande Mataram: A Historical Lesson

A G Noorani

The controversy over the singing of Vande Mataram in Bombay's municipal schools has all but died down. But the consequences of the bigoted propaganda of the communal forces of the Muslim League, the Shiv Sena and the Jan Sangh, as well as the hamhanded treatment of the issue by the Maharashtra government, will be with us for some time to come. Fortunately, the controversy did not spread much beyond the city or become a national issue.

The subject is inherently an explosive one, nevertheless. Vande Mataram aroused popular emotions for decades before Independence. All the greater reason, then, why the issues in the controversy, which has been associated with the song almost since its inception, should be calmly and objectively appraised. These issues affected the national movement in the past and they are relevant today in the process of nation-building.

THE controversy over the singing of 'Vande Mataram' in Bombay's municipal schools has all but died down. But the consequences of the bigoted propaganda of the communal forces of the Muslim League, the Shiv Sena, and the Jan Sangh, as well as the hamhanded treatment of the issue by Sharad Pawar will be with us for some time to come. Fortunately, however, the controversy did not spread much beyond the city or become a national issue.

The subject is inherently an explosive one. A national song is by definition one which arouses the people's emotion. 'Vande Mataram' did so for decades and still continues to do so. All the greater reason, then, why the issues in the controversy, which have been associated with the song almost since its inception, should be calmly and objectively appraised. They are issues of the utmost importance. They affected the national movement in the past, and they are relevant today in the process of nation-building.

A Government of India publication¹ states the desiderata of a national song accurately enough. "A Constitution, a Flag and an Anthem: these three sum up a nation ... Not every song can be a national anthem, whatever its literary qualities. In fact, there are very few national anthems whose merit is exclusively literary. What is it, then, that distinguishes a national anthem? Its 'singability', experts say, among other things; that is, people should be able to sing it in chorus. How can the whole nation sing it, unless it is accessible to everybody? ... A national anthem, besides its 'singability', has, of course, other features also. For instance, it should be distinctly national in sentiment. ... Two of India's national songs have vied with each other for the status of the national anthem. They are: Bankimchandra Chatterjee's 'Vande Mataram' and Rabindranath Tagore's 'Jana Gana Mana'."

The official publication's account of

the origin of the song and the reasons underlying the Muslim objection to it is another matter. It adds: "Of the two songs, 'Vande Mataram' is the older. It occurs in Bankimchandra's novel 'Anand Math'—published in 1882. Its origin, however, dates much earlier, perhaps as early as the seventies of the last century. The first political occasion on which it was sung was at the 1896 session of the Indian National Congress. It was set to music by Rabindranath Tagore. Later, during the stormy days of the anti-Partition movement in Bengal, its appeal was instantaneous. It was sung during the Bengal Provincial Conference held at Barisal in April 1906 under the presidency of a Muslim. Later in the year, Rabindranath Tagore himself sang the song on the opening day of the Congress session. Gradually the first two words of the song became the slogan of the nationalist movement, despite sporadic protests from some Muslims who read a communal meaning into the song. These two words have inspired some of the greatest sacrifices in human history."

"In 1937, the Congress Working Committee appointed a sub-committee consisting of Maulana Abul Kalam Azad, Jawaharlal Nehru, Subhash Chandra Bose and Acharya Narendra Deva who were required to examine, in consultation with Rabindranath Tagore, the suitability of the song as a national anthem. Earlier it had adopted this resolution: 'Taking all things into consideration, therefore, the Committee recommends that whenever the 'Vande Mataram' is sung at national gatherings, only the first two stanzas should be sung, with perfect freedom to the organisers to sing any other song of an unobjectionable character, in addition to, or in place of, the 'Vande Mataram' song?'"

Some Muslims, some meaning. The slurring over of this aspect — i.e., of the Muslims' reasons for the objection

over the years — only reflects a gap in understanding, a gap which, sad to say, few have tried to bridge. As will be underscored later, the failure is on both sides.

First of all it is surely misleading to say that a communal meaning was "read... into the song". In his "Autobiography of an Unknown Indian", Nirad C Chaudhuri has aptly described the atmosphere of the times in which the song was written.² "The historical romances of Bankim Chatterjee and Ramesh Chandra Dutt glorified Hindu rebellion against Muslim rule and showed the Muslims in a correspondingly poor light. Chatterjee was positively and fiercely anti-Muslim. We were eager readers of these romances and we readily absorbed their spirit."

"Ananda Math", the novel in which the song occurs, had a seminal effect. It is, therefore, very necessary to consider its theme — all the more so because it has been misunderstood to this day. R C Majumdar, the veteran historian, has written a very objective account of it.³ "During the long and arduous struggle for freedom from 1905 to 1947 'Bande Mataram' was the rallying cry of the patriotic sons of India, and thousands of them succumbed to the lathi blow of the British police or mounted the scaffold with 'Bande Mataram' on their lips. The main theme of the novel inspired the Bengali youths to supreme self-sacrifice during the hectic days of the Swadeshi movement. The central plot moves round a band of sanyasis, called *santanans* or children, who left their hearth and home and dedicated their lives to the cause of their motherland. They worshipped their motherland as the Goddess Kali; they knew no other deity save the land of their birth, and no other religion except the service of their motherland. That is why they called themselves *santanans* or children (of the mother). In their temple they

Government of India
DEPARTMENT OF SUPPLY
Directorate General of Supplies and Disposals
 (Registration Branch)

NEW DELHI

Procedure for registration with the D.G.S. & D., New Delhi

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The main object of registration of firms as approved suppliers is to facilitate the location of reliable sources of supplies as and when demands are received from the various Indenting Departments of the Government of India including Defence, Railways and Posts & Telegraphs. It also undertakes purchases on behalf of the State Governments and the expanding Public Sector Undertakings. Purchases embrace practically all types of stores excluding food-stuffs and live-stock. The annual purchases made through D.G.S.&D. extend over quite a few hundred crores of rupees.

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- iii) Rate Contracts and Running Contracts are normally reserved for registered firms.
- iv) Operational demands are normally reserved for supply by registered firms.
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 and
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placed three images of the Goddess Kali representing the motherland — Mother that was, great and glorious in her majestic grandeur; Mother that is, wretched and grovelling in the dust; and Mother that will be, in her pristine glory. No other Bengali book — or, for the matter of that, no book written in any language — so profoundly moved the Bengali youths save perhaps Saratchandra's "Pather Dabi", written half a century later. The later novel was an emotional protest against the British rule, as the earlier one was, at least ostensibly, against the Muslim rule. This aspect of the "Ananda Math" and the imagery of Goddess Kali leave no doubt that *Bankimchandra's nationalism was Hindu rather than Indian*. This is made crystal clear from his other writings which contain passionate outbursts against the subjugation of India by the Muslims. From that day set the sun of our glory — that is the refrain of his essays and novels which not unoften contain adverse, and sometimes even irreverent, remarks against the Muslims" (italics added). As Majumdar pithily puts it, "Bankimchandra converted patriotism into religion and religion into patriotism".

Needless to add, this religious concept of patriotism is not one which all Indians could accept. It is pointless in view of this and Chatterjee's "fiercely anti-Muslim" outlook, to make much of the fact that the song was written prior to the novel; also, it is sheer sophistry to argue that he had "chosen Muslim rulers as the target of the fury of the *sanyasis*, apparently because if the British had been made the target, the novel would have been suppressed and the author's intent frustrated."

Anti-Muslim as he was, Chatterjee needed no such excuse. The novel was not anti-British, either. In the last chapter, we find a supernatural figure persuading the leader of the *sanyasis*, Satyananda, to stop fighting. The dialogue that follows is interesting:

"He: Your task is accomplished. The Muslim power is destroyed. There is nothing else for you to do. No good can come of needless slaughter.

"S: The Muslim power has indeed been destroyed, but the dominion of the Hindu has not yet been established. The British still hold Calcutta.

"He: Hindu dominion will not be established now. If you remain at your work, men will be killed to no purpose. Therefore come.

"S: (greatly pained) My lord, if Hindu dominion is not going to be established, who will rule? Will the

Muslim kings return?

"He: No. The English will rule."

Satyananda protests, but is persuaded to lay down the sword.

"He: Your vow is fulfilled. You have brought fortune to your Mother. You have set up a British government. Give up your fighting. Let the people take to their plows. Let the earth be rich with harvest and the people rich with wealth.

"S: (weeping hot tears) I will make my Mother rich with harvest in the blood of her foes.

"He: Who is the foe? There are no foes now. The English are friends as well as rulers. And no one can defeat them in battle. (Italics added.)

"S: If that is so, I will kill myself before the image of my Mother.

"He: In ignorance? Come and know. There is a temple of the Mother in the Himalayas. I will show you her image there.

"So saying, He took Satyananda by the hand."

Anti-Muslim references are spread all over the work since the central theme was anti-Muslim. But, alas, they are the references of a most intemperate and, indeed, vituperative character. Jivananda with sword in hand, at the gate of the temple, exhorts the children of Kali: "We have often thought to break up this bird's nest of Muslim rule, to pull down the city of the renegades and throw it into the river — to turn this pig-sty to ashes and make Mother earth free from evil again. Friends, that day has come."

The use of the song 'Vande Mataram' in the novel is not adventitious, and it is not only communal-minded Muslims who resent it because of its context and content. M R A Baig was a nationalist Muslim before Independence and is an ardent advocate of Muslim modernisation today. The Muslim Progressive Group of which he is chairman has worked splendidly in the cause of reform of Muslim personal law. Baig's analysis of the novel and the song deserve attention. "Written as a story set in the period of the dissolution of the Moghul Empire, the hero of the novel, Bhavananda, is planning an armed rising against the Muslims of Bengal. While busy recruiting, he meets Mahendra and sings the song 'Bande Mataram' or 'Hail Mother'. The latter asks him the meaning of the words and Bhavananda, making a spirited answer, concludes with: 'our religion is gone, our caste is gone, our honour is gone. Can the Hindus preserve their Hinduism unless these drunken Nereys (a term of contempt for Muslims) are

driven away?' ... Mahendra, however, not convinced, expresses reluctance to join the rebellion. He is, therefore, taken to the temple of Ananda Math and shown a huge image of four-armed Vishnu, with two decapitated and bloody heads in front. 'Do you know who she is?' asks the priest in charge, pointing to an image on the lap of Vishnu, 'She is the Mother. We are her children, Say 'Bande Mataram'." He is taken to the image of Kali and then to that of Durga. On each occasion he is asked to recite 'Bande Mataram'. In another scene in the novel some shouted 'kill, kill the Nereys'. Others shouted 'Bande Mataram', 'will the day come when we shall break mosques and build temples on their sites?'

The song has five stanzas. Of these, only the first two are the 'approved ones'. Jawaharlal Nehru was 'opposed to the last two stanzas'. The approved stanzas read:

"I bow to thee, Mother,
 richly watered, richly fruited,
 cool with the winds of the south,
 dark with the crops of the harvests,
 the Mother!

Her nights rejoicing in the glory of
 the moonlight, her hands clothed
 beautifully with her trees in flowering
 bloom, sweet of laughter, sweet of
 speech, the Mother, giver of boons,
 giver of bliss!

The third stanza refers to "Thy dreadful name", evidently, a reference to the Goddess Kali. The fourth is in the same vein. 'Thou art Durga, Lady and Queen, with her hands that strike and her swords of sheen'.

Ram Gopal avers a common view: "In any case, the song itself was innocuous, and only paid homage to the motherland". It escapes him that this particular form of homage is not 'innocuous' or acceptable to those who do not subscribe to the creed — however much they respect the creed and those who believe in it. It is essentially a religious homage to the country conceived as a deity. 'A form of worship' as Majumdar aptly called it. The motherland is "conceived as the Goddess Kali, the source of all power and glory".

This, in the song itself. The context only makes it worse. "The land of Bengal, and by extension all of India, became identified with the female aspect of Hindu deity, and the result was a concept of divine Motherland". (Italics added.) How secular is such a song?

It is not the mere gesture of bowing but the bowing to this form of divinity which Muslims have found objectionable. Nor was the protest voiced "half a century too late" as Ram Gopal thinks. It was voiced fairly early in the

day and on the unexceptionable ground that it was sectarian and not national.

The view was expressed with such cogency and restraint that it bears recalling *in extenso*. In his presidential address to the Second Session of the All-India Muslim League held at Amritsar on December 30, 1908, Syed Ali Imam said: "I cannot say what you think, but when I find the most advanced province of India put forward the sectarian cry of 'Bande Mataram' as the national cry, and the sectarian Rakhibandhan as a national observance, my heart is filled with despair and disappointment; and the suspicion that, under the cloak of nationalism, Hindu nationalism is preached in India becomes a conviction. Has the experiment tried by Akbar and Aurangzeb failed again? Has 50 years of the peaceful spread of English education given the country only a revival of denominationalism? Gentlemen, do not misunderstand me. I believe that the establishment of conferences, associations and corporate bodies in different communities on denominational lines are necessary to give expression to denominational views, so that the builders of a truly national life in the country may have before them the crystallised needs and aspirations of all sects. In this connection, every lover of India will welcome such institutions as Kayastha Conference, the Bhuinder Conference, the Rajput Conference, Mohammedan anjumans and conferences, the associations of the domiciled community, and all such denominational institutions. Such activities help to bring into focus the thoughts of all sections of the population of India. Regard for the feelings and sentiments, needs and requirements of all is the key-note to true Indian nationalism. It is more imperative where the susceptibilities of the two great communities, Hindus and Muslims, are involved. Unreconciled, one will be as great a drag on the wheel of national progress as the other. I ask the architects of Indian nationalism, both in Calcutta and Poona, do they expect the Muslims of India to accept 'Bande Mataram' and the Sivaji Celebration? The Mohammedans may be weak in anything you please, but they are not weak in cherishing their traditions of their glorious past. I pray the Congress leaders to put before the country such a programme of political advancement as does not demand the sacrifice of the feelings of the Hindu or the Mohammedan, the Parsee or the Christian." (italics added.)

The protest went unheeded, and *Vande Mataram* became 'the battle-hymn of the national-movement'. Con-

trovery arose in an acute form three decades later, in 1937, when Congress ministries came into being in many Provinces and 'Vande Mataram' began to be sung in the legislatures. The Muslim League strongly objected to it. A resolution adopted by the 25th Session of the League at Lucknow, in October 1937, dubbed it as "not merely positively anti-Islamic and idolatrous in its inspiration and ideas, but definitely subversive of the growth of genuine nationalism in India." The League still believed in Indian nationalism. Before long it was to discard belief in Indian nationalism and all restraint in its opposition to 'Vande Mataram'.

The Congress took note of the League's objection and tried to meet it half-way. The Congress Working Committee, which met at Calcutta on October 26, 1937, under the presidency of Nehru, adopted a long statement on the subject.⁸ It asked that the song should "be considered apart from the book". Recalling its use in the past 30 years, the resolution said: "The song and the words thus became symbols of national resistance to British Imperialism in Bengal especially, and generally in other parts of India. The words 'Bande Mataram' became a slogan of power which inspired our people and a greeting which ever reminds us of our struggle for national freedom.

"Gradually the use of the first two stanzas of the song spread to other provinces and a certain national significance began to attach to them. The rest of the song was very seldom used, and is even now known by few persons. These two stanzas described, in tender language, the beauty of motherland and the abundance of her gifts. There was absolutely nothing in them to which objection could be from the religious or any other point of view. ... The other stanzas of the song are little known and hardly ever sung. They contain certain allusions and a religious ideology which may not be in keeping with the ideology of other religious groups in India.

"The Committee recognise the validity of the objection raised by Muslim friends to certain parts of the song. While the Committee have taken note of such objection insofar as it has intrinsic value, the Committee wish to point out that the modern evolution of the use of the song as part of national life is of infinitely greater importance than its setting in a historical novel before the national movement had taken shape. Taking all things into consideration, therefore, the Committee recommend that, wherever *Bande Mataram* is

sung at national gatherings, only the first two stanzas should be sung, with perfect freedom to the organisers to sing any other song of an unobjectionable character, in addition to, or in the place of, the *Bande Mataram* song." (italics added.)

'National' songs do not need political surgery; the songs which do, do not win national acceptance. Against this was the fact of history that, however ill-advised, the song had come to be associated with the struggle for freedom. "... No matter what its source was, and how and when it was composed, it had become a most powerful battle cry among Hindus and Muslims of Bengal during the Partition days. It was an anti-imperialist cry. As a lad, when I knew nothing of 'Anand Math' or even Bankim, its immortal author, 'Vande Mataram' had gripped me, and when I first heard it sung it had enthralled me. I associated the purest national spirit with it. It never occurred to me that it was a Hindu song or meant only for Hindus. Unfortunately now we have fallen on evil days. All that was pure gold before has become base metal today. In such times it is wisdom not to market pure gold and let it be sold as base metal. I would not risk a single quarrel over singing 'Vande Mataram' at a mixed gathering. It will never suffer from disuse. It is enthroned in the hearts of millions. It stirs to its depth the patriotism of millions in and outside Bengal. Its chosen stanzas are Bengal's gift among many others to the whole nation. ...". This was Gandhiji in *Hartian* on July 1, 1939.

Till the last he spoke in the same refrain, asking Muslims to appreciate its historic association but counselling against any imposition. "No doubt, every act ... must be purely voluntary on the part of either partner", he said at Alipore on August 23, 1947.

The Government of India acquired this emotion-charged legacy. Its stand was defined in a statement by Prime Minister Nehru to the Constituent Assembly (Legislative) on August 25, 1948:⁹

"The question of having a national anthem tune to be played by orchestras and bands became an urgent one for us immediately after the 15th August 1947. It was as important as that of having a national flag. The 'Jana Gana Mana' tune, slightly varied, had been adopted as a national anthem by the Indian National Army in South-East Asia, and had subsequently attained a degree of popularity in India also. ... The matter came to a head on the occasion of the General Assembly of the

United Nations in 1947 in New York. Our delegation was asked for our national anthem for the orchestra to play on a particular occasion. The delegation possessed a record of 'Jana Gana Mana' and they gave this to the orchestra who practised it. When they played it before a large gathering it was very greatly appreciated, and representatives of many nations asked for a musical score of this new tune which struck them as distinctive and dignified. The orchestral rendering of 'Jana Gana Mana' was recorded and sent to India. ... Apart from the general appreciation with which this tune was received, there was at the time not much choice for us, as there was no proper musical rendering available to us of any other national song which we could send abroad. At that stage, I wrote to all the provincial Governors and asked their views about our adopting 'Jana Gana Mana', or any other song as the national anthem. I asked them to consult their premiers before replying ... Every one of these Governors, except one, (the Governor of the Central Provinces), signified their approval of 'Jana Gana Mana'. Thereupon the Cabinet considered the matter and came to the decision that provisionally 'Jana Gana Mana' should be used as the tune for the national anthem, till such time as the Constituent Assembly came to a final decision. Instructions were issued accordingly to the provincial governments. It was very clear that the wording of 'Jana Gana Mana' was not wholly appropriate and some change would be necessary. What was important was the tune to be played by bands and orchestras, and not wording. Subsequently, the new Premier of West Bengal informed us that he and his Government preferred 'Vande Mataram'.

"That is the position at present. It is unfortunate that some kind of argument has arisen as between 'Vande Mataram' and 'Jana Gana Mana'. 'Vande Mataram' is obviously and indisputably the premier national song of India, with a great historical tradition, and intimately connected with our struggle for freedom. That position it is bound to retain and no other song can displace it. It represents the position and poignancy of that struggle, but perhaps not so much the culmination of it. In regard to the national anthem tune, it was felt that the tune was more important than the words. ... It seemed therefore that while 'Vande Mataram' should continue to be the national song *par excellence* in India, the national anthem tune should be that of 'Jana Gana Mana', the wording of 'Jana Gana Mana' to be

suitably altered to fit in with the existing circumstances.

"The question has to be considered by the Constituent Assembly, and it is open to that Assembly to decide as it chooses. It may decide on a completely new song or tune, if such is available."

A more definitive statement was made by the President of the Constituent Assembly, Rajendra Prasad, on January 24, 1950. He said:¹⁰ "There is one matter which has been pending for discussion, namely, the question of the national anthem. At one time it was thought that the matter might be brought up before the House and a decision taken by the House by way of a resolution. But it has been felt that, instead of taking a formal decision by means of a resolution, it is better if I make a statement with regard to the national anthem. Accordingly, I make this statement. ... The composition consisting of the words and music known as 'Jana Gana Mana' is the national anthem of India, subject to such alterations in the words as the Government may authorise as occasion arises; and the song 'Vande Mataram', which has played a historic part in the struggle for Indian freedom, shall be honoured equally with *Jana Gana Mana* and shall have equal status with it. (Applause.) I hope this will satisfy the Members."

These matters stand so far as the State and the law are concerned. But none of them by itself guarantees unity in national sentiment. The recent controversy in Bombay is only one more reminder that we have yet a long way to go to achieve that unity.

That consummation calls for understanding and tolerance with which we are not too generously endowed. No attempt whatever has been made to appreciate the reasons for the Muslims' objection. It was by no means confined to the communal-minded Muslims. In his book, "Distant Neighbours", Kuldip Nayar records that the late Humayan Kabir would often tell him, "It was very unfair of a secular India to have adopted (sic) 'Vande Mataram'."¹¹

This, however, is only one side of the picture. No effort, likewise, has been made to make the Muslims appreciate the historical association of the song. How close the association was, emerges very clearly from the following account by Gandhiji in *Young India* of September 8, 1920. "During the Madras tour, at Bezvada I had occasion to remark upon the national crisis and suggested that it would be better to have cries

about the ideals than men. I asked the audience to replace 'Mahatma Gandhi ki jai' and 'Mohammed Ali Shoukat Ali ki jai' by 'Hindu-Muslim ki jai'. Brother Shaukat Ali, who followed, positively laid down the law. In spite of the Hindu-Muslim unity, he had observed that Hindus shouted 'Bande Mataram' the Muslims rang out with 'Allaho Akbar', and *vice versa*. This, he rightly said, jarred on the ear and still showed that the people did not act with one mind. There should be therefore only three cries recognised: 'Allaho Akbar', to be joyously sung out by Hindus and Muslims, showing that God alone was great and no other; the second should be 'Bande Mataram' (Hail Motherland) or 'Bharat Mata, ki jai' (Victory to Mother Hind). The third should be 'Hindu-Muslim ki jai', without which there was no victory for India and no true demonstration of the greatness of God. I do wish that the newspapers and public men would take up the Maulana's suggestion and lead the people only to use the three cries."

Mutual understanding will lead to the Gandhian formula — respect for the song but no imposition. But even more than that, if the problem were understood in depth, what would emerge is a far better appreciation of the reasons why the Muslims and the Congress drifted away from each other. Those reasons have many a lesson for us today as we build a secular India.

Notes

- 1 Publications Division, Ministry of Information and Broadcasting; 1953; p 3.
- 2 Jaico; p 235.
- 3 "British Paramountcy and Indian Renaissance", Part II; Bharatiya Vidya Bhavan, 1965; p 478.
- 4 Ram Gopal, "Indian Muslims"; Asia; 1959; p 256
- 5 "Sources of Indian Tradition"; Compiled by William Theodore de Bary and others; Columbia University Press; 1958; p 715.
- 6 Vide his essay 'The Partition of Bengal and Its Aftermath'; *The Indian Journal of Political Science*; Volume XXX, April-June 1969, Number 2, pp 120-122.
- 7 D F Smith: "India as a Secular State"; Princeton University Press; 1963; p 90.
- 8 Indian Annual Register, 1937. Volume II, p 327.
- 9 Official Report on "Constituent Assembly Debates"; Third Session, Part I, Volume VI, August 9-31, 1948.
- 10 "Constituent Assembly Debates", Volume XII; January 24, 1950.
- 11 Vikas, 1972; p 13.

Union Bank of India

Report of the Board of Directors

1972 WAS a year of set-backs in the country's economy as a whole. Among other things, drought conditions in several parts of the country and the consequent loss of kharif crop, shortage of power in many States and the resultant deceleration of the otherwise improving trend in industrial production, created shortages and spiralling prices. In this environment, the banking industry was also affected, with its pace of growth slackening, compared to 1971. The scheduled commercial banks opened lesser number of branches, 1,763 against 1,805 in 1971, and registered a lower deposit growth rate of 17.4 per cent, as against 22.0 per cent. Even this comparatively lower deposit growth far outstripped the expansion in credit, which dipped to barely 7 per cent from the already low rate of 13.5 per cent witnessed in 1971. Consequently, the credit-deposit ratio throughout the year was, on an average, 6 percentage points below the level of 1971.

In the context of this none-too-happy state of affairs, both of the economy in general and of the banking industry in particular, Union Bank's performance during the year under review, considered from all angles, was quite heartening. In all spheres—in branch expansion, deposit mobilisation and disbursal of credit—the Bank achieved substantially higher growth rates than the industry's average. (See Table "A")

As against 59 branches opened in 1971, the Bank set up 73 new branches in 1972, taking the total to 506. Of the 73 new branches, 34 were located in rural centres, 16 in semi-urban, 14 in urban and 9 in metropolitan. Since nationalisation, the Bank had, as at 31st December, 1972, opened 266 branches, of which 180 were in the rural and semi-urban areas.

The total deposits of the Bank, as at the end of 1972, expanded by 28.4 per cent from Rs 197.34 crores to

Rs 253.42 crores. In line with the trend in the banking system, the time deposits of the Bank also increased faster (37.4 per cent) than the demand deposits (21.6 per cent). Consequently, there was further increase in the share of time deposits in the deposit-mix of the Bank — from 43.3 per cent as of 1971 to 46.3 per cent as of 1972. The deposit mobilisation by the Bank's rural and semi-urban branches continued to be encouraging, insofar as these branches achieved a much faster growth rate of 39.0 per cent as compared to 26.2 per cent achieved by the urban/metropolitan branches.

As a result of the very poor credit expansion, largely due to lower demand for credit for food procurement, the banking industry was afflicted with excess liquidity. In the case of Union Bank, however, the growth of credit outstripped even its comparatively high growth in deposits. Over the year, the total advances of the Bank increased from Rs 135.34 crores to Rs 174.44 crores (including Rs 2.50 crores for food procurement), registering a growth of 28.9 per cent as against growth of only 6.9 per cent in the banking industry. Consequently, the credit-deposit ratio of about 71.0 per cent as at the end of 1971 was well maintained as at end 1972. This was quite contrary to the drop of more than 6 percentage points, from 72.8 to 66.3, in the case of scheduled commercial banks. The Bank's credit disbursement was consistently at a high level during the year under review, as can be evidenced from the credit-deposit ratio which averaged at 72.0 per cent for the year.

Of the total accretion of Rs 56.08 crores in deposits, as much as Rs 39.10 crores, i.e., 69.7 per cent were deployed in advances. This incremental credit-deposit ratio of 69.7 per cent stood out in sharp contrast to the ratio of only 28.7 per cent registered by scheduled commercial banks, with credit ex-

pansion of Rs 346.00 crores out of deposit accretion of Rs 1,209.00 crores.

As a matter of deliberate policy, the Bank continued to divert credit to priority and neglected sectors in an increasing measure. Of the total credit expansion of Rs 39.10 crores, funds deployed in priority and neglected sectors aggregated to as much as Rs 16.76 crores excluding exports and Rs 26.62 crores including exports. As a result, the incremental shares of priority sector advances to increase in total advances stood at over 42.0 per cent, excluding exports and almost 68.0 per cent including exports. Whereas, over the year the total advances of the Bank increased by 28.9 per cent, advances to priority and neglected sectors, excluding exports, increased by 45.5 per cent — from Rs 36.87 crores to Rs 53.63 crores. On the whole, credit to priority and neglected sectors (excluding exports) accounted for 30.8 per cent of the total advances, as against 27.2 per cent at the end of 1971. Including exports, this ratio improved over the year from 41.6 per cent to 47.6 per cent.

(See Table "B")

The magnitude of credit apart, even the number of persons benefiting through the Bank's assistance to the priority sector grew sizably.

The agricultural advances portfolio of the Bank recorded satisfactory progress during the year despite acute drought in many parts of the country. These advances which stood at Rs 13.60 crores (21,442 accounts) as at December 1971, increased to Rs 20.47 crores (32,922 accounts) as at December 1972, registering a growth of 50.5 per cent during the year. These advances formed 12.0 per cent of the total advances of the Bank as compared to 10.0 per cent the previous year. The number of branches engaged in agricultural advances rose from 234 to 334 during the year, improving the percentage to total branches from

TABLE "B"

ADVANCES TO PRIORITY SECTORS

(Rupees in lacs)

	No. of A/cs.		Balance O/s.		Increase		Percentage to Total Advances	
	1971	1972	1971	1972	Amount	Percentage	1971	1972
Agriculture ...	No.	No.	Rs.	Rs.	Rs.	%	%	%
(i) Direct ...	20,408	31,786	1002.9	1540.1	537.2	53.6	7.4	8.8
(ii) Indirect ...	1,034	1,136	357.1	507.0	149.9	42.0	2.6	2.9
Small Scale Industries ...	5,576	7,259	1878.1	2682.0	803.9	42.8	13.9	15.4
Transport Operators ...	1,260	2,229	178.5	235.3	56.8	31.8		
Retail Trade and Small Business ...	3,673	6,391	199.8	251.7	51.9	26.0		
Professionals and Self-employed ...	2,964	8,277	62.4	136.7	74.3	119.1	3.3	3.7
Educational Loans ...	161	218	8.2	10.1	1.9	23.2		
Sub-total ...	35,076	57,296	3687.0	5362.9	1675.9	45.5	27.2	30.8
Exports ...	826	1,057	1949.2	2935.2	986.0	50.6	14.4	16.8
TOTAL ...	35,902	58,353	5636.2	8298.1	2661.9	47.2	41.6	47.6

54 to 66. The continued stress on production finance resulted in the increase in crop loan accounts from 9,776 in 1971 to 17,611 in 1972.

In line with the Bank's policy of extending increased assistance to weaker sections of the community, concerted steps were taken to grant credit to small and marginal farmers. Advances amounting to Rs 1.44 crores were granted to 10,558 farmers with holdings upto 5 acres. Thus, the number of such accounts constituted over one-third of the total agricultural accounts. This progress is partly attributed to the adoption of a three-tier structure of rates of interest on agricultural advances which provides for lower rates on advances to the small and marginal farmers. The Bank selected 24 Districts for participation under the Scheme of Small Farmers Development Agencies and Marginal Farmers and Agricultural Labourers Agencies and commenced financing in 10 of them. As at December 1972, advances amounting to Rs 0.08 crore had been granted to identified small and marginal farmers.

The Bank continued its participation in the Reserve Bank's Scheme of financing of primary Co-operative Societies by Commercial Banks. During the year, advances amounting to Rs 0.21 crore were granted, through 5 branches in 4 States, to 67 primary Societies, covering 3,643 members. The Bank also actively participated in almost all the Agricultural Credit Projects in various States being financed with the credits made available by the World Bank.

In intensifying assistance to the hitherto neglected sectors, a number of new schemes were devised and the existing schemes were reviewed and modified to make them more workable. Schemes for assisting handloom and powerloom weavers in the Lead Districts of Varanasi and Azamgarh in UP were liberalised during the year and about 800 weavers were financed under these schemes. Similarly, in the Lead District of Ernakulam a scheme for financing bamboo-mat weavers was

introduced with the co-operation and collaboration of the Kerala State Bamboo Corporation. This scheme evoked great enthusiasm and the Bank assisted about 200 persons in getting self-employed. Other schemes of assisting small borrowers and retailers continued to be operated through all the branches.

In mid 1972 the district of Idikki, carved out from the existing districts of Ernakulam and Kottayam in Kerala, was allotted to the Bank as its Lead District and a preliminary survey of the district was completed by the Bank by the end of the year.

In all the 6 Lead Districts assigned to the Bank — 4 in UP and 2 in Kerala — Bank's progress in all directions was quite satisfactory. Out of 18 branches opened in UP during the year under review, 10 were opened in Lead Districts taking the total number of branches in Lead Districts to 36. In Kerala, 7 branches were added in the 2 Lead Districts — 4 in Ernakulam and 3 in Idikki.

Branch expansion apart, attention was focused on accelerating the process of development already initiated. To intensify developmental efforts, an additional 'Lead Office' was opened at Azamgarh, with jurisdiction over two districts, of Azamgarh and Jaunpur. The Lead Office at Varanasi continued to look after the development work in Varanasi and Ghazipur. In all the Lead Districts the targets for all important parameters were realised and even exceeded and the credit-deposit ratios were considerably stepped up. The overall business performance of the Bank's Lead Districts truly matched the impressive performance of the Bank on all-India level as can be seen from Table "C" on the next page.

As reported earlier, by the end of 1971 the Bank had completed surveys of all the districts allotted to it. These preliminary surveys were necessarily impressionistic and were primarily aimed at identifying areas requiring banking facilities. It was at that time noted that a survey of the districts would have to be a continuous process

and that a periodic review would be necessary in planning the Bank's operational strategy in the area. In the latter part of 1972, therefore, a fresh study-cum-survey of all the 6 Lead Districts was undertaken with the three-fold purpose of (a) evaluation of results of the Bank's activities in the area so far (b) further identification of growth areas and credit gaps and (c) preparation of a concrete programme of action in such areas. The findings of the survey are now under study.

The novel and unorthodox scheme of Differential Interest Rates announced by the Finance Minister in Parliament in March 1972 aimed at providing finance to financially very weak sectors in backward districts at concessional rate of 4 per cent was earnestly pursued by the Bank. To begin with, for implementation of the Scheme the Bank selected all its branches in all the backward districts where the Bank was represented. At the time of introduction of the Scheme, the Bank had 106 branches in 43 of the backward districts. As and when new branches were opened in the backward districts, they were also identified for the purpose of the Scheme. As at 31st December, 1972, the Bank operated the Scheme in 44 backward districts through all its 119 branches. This coverage worked out to 2 out of every 9 branches of the Bank, as against 1 out of 9 suggested by the Reserve Bank.

Considering that the Scheme would have to be operated through smaller branches manned by relatively inexperienced staff, arrangements were made to monitor continuously to the branches all such information as would be of use in their initial efforts. State-wise and district-wise population data on pockets of scheduled caste and scheduled tribes were furnished to enable identification of borrowers and information on employment generation schemes envisaged in the Plan documents was also provided to assist the branch personnel in drawing up viable schemes. To encourage implementation of the Scheme in letter and spirit

TABLE "A"

GROWTH INDICATORS

(Rupees in crores)

	SCHEDULED COMMERCIAL BANKS				UNION BANK OF INDIA			
	1971		1972		1971		1972	
			Increase over 1971				Increase over 1971	
	1	2	3a	3b	4	5	6a	6b
A. Branches ...	No.	12,985	14,739	1,763*	—	433	506	73
B. Aggregate Deposits ...	Rs.	6936.58	8145.57	1208.99	17.4	188.65	241.87	53.22
C. Advances ...	Rs.	5051.64	5398.10	346.46	6.9	133.89	172.65	38.76
D. Credit-Deposit Ratio (C:B)								
—Year-end ...	%	72.8	66.3	—	—6.5	71.0	71.4	—
—Incremental ...	%	—	—	28.7	—	—	—	72.8

Note: Figures as of last Friday.

* Indicates new offices opened during 1972.

TABLE "C"

PROGRESS IN LEAD DISTRICTS

(Rupees in lacs)

				LEAD DISTRICTS IN UTTAR PRADESH				LEAD DISTRICTS IN KERALA	
				Varanasi 1	Ghazipur 2	Azamgarh 3	Jaunpur 4	Ernakulam 5	Idikki 6
A. Branches	...	...	1971	No. 8	7	7	4	19	2
			1972	No. 9	10	9	8	23	5
B. Deposits	...	...	1971	Rs. 189.36	47.94	60.39	18.93	530.28	12.78
			1972	Rs. 285.77	88.93	86.83	51.05	627.99	26.36
C. Advances	...	...	1971	Rs. 83.10	12.69	36.32	4.97	519.34	4.48
			1972	Rs. 176.73	32.96	56.19	27.28	661.54	13.17
D. Credit-Deposit Ratio	...	...	1971	% 43.88	26.47	60.14	26.25	97.94	35.05
			1972	% 61.84	37.06	64.71	53.44	105.34	49.96
E. Priority Sector Advances									
(i) Including Exports	...	...	1971	Rs. 46.23	7.84	25.48	3.92	305.23	1.00
			1972	Rs. 103.21	26.66	48.01	23.74	424.80	6.42
(ii) Excluding Exports	...	...	1971	Rs. 29.87	7.84	25.48	3.92	164.76	1.00
			1972	Rs. 80.13	26.66	48.01	23.74	295.93	6.42
F. Priority Sector Advances to Total Advances									
(i) Including Exports	...	...	1971	% 55.63	61.78	70.15	78.87	58.77	22.32
			1972	% 58.40	80.89	85.44	87.02	64.21	48.75
(ii) Excluding Exports	...	...	1971	% 35.94	61.78	70.15	78.87	31.72	22.32
			1972	% 45.34	80.89	85.44	87.02	44.73	48.75

and to make its coverage wide and effective, the norms and rules therefor were kept as flexible as possible. All sections of society and categories of borrowers, as primarily intended by the Government, were covered. At the same time, care was taken to ensure that finance under the Scheme was made available for only productive endeavours. Borrowers who benefited under the Scheme included variegated category of individuals self-employed in small vocations, from shoe-makers, shoe-repairers and skinners of dead animals to small farmers, blacksmiths and glassmiths. In the space of hardly 6 months of the operation of the Scheme, the Bank had disbursed Rs 18.72 lakhs among about 5,000 borrowers — the average loan per account being a little over Rs 375. Though this performance fell short of the target of one-half of one per cent of the total advances intended to be achieved, it represented over 20 per cent of the total effort of the public sector banks, which added upto Rs 83 lakhs disbursed to about 19,000 borrowers.

If may well be said that Union Bank had introduced a system of multi-tier rates of interest, albeit in a small way, quite some time before the present Differential Interest Rates Scheme came into operation. Since 1971, the Bank has introduced a three-tier structure of interest rates, ranging from 8½-10 per cent for agricultural finance, depending upon the size of the landholding of the borrower. Similarly, a three-tier structure of interest rates was introduced also for the small industrial units, linked with the unit's age and capital investments.

To ensure orderly and systematic expansion of the Bank's activities in conformity with the national objectives, the Bank formulated its maiden Business Plan or Performance Budget

for the year 1972-73. Though an element of planning was introduced in the Bank a few years ago, in the shape of fixation of branch-wise deposit targets, it was in 1971 that the first-ever effort was made in drawing up, at the instance of Reserve Bank of India, a Credit Plan. These exercises were, however, very elementary. In early 1972 it was for the first time that the Bank drew up a comprehensive Performance Budget, as a first step towards integrated planning. It involved simultaneous exercises in budgeting branch expansion, deposit mobilisation, deployment of resources including assistance to priority sectors and manpower planning including training. Though in subserving socio-economic goals of the nation, profit cannot be the dominant motive for a bank, it is still a very important criterion with which to measure efficiency. Hence, the Business Plan also covered a branch-wise profit plan which necessarily included control over expenditure.

A separate Business Plan was formulated for each of the Bank's Lead Districts. To ensure commitment of those who had to implement the Plan, a Conference was held early in the year when all the key officials participated in formulating the various targets and evolving appropriate strategies to achieve them. To avoid any time-lag in between the plan for the first financial year and the next, the first Plan was drawn up for a 15-month period January 1972-December 1972-March 1973. The performance under the Plan was reviewed periodically, through a Monthly Report System as well as through two mid-year conferences where the performance was reviewed Zone by Zone separately.

To facilitate successful implementation of the Business Plan, three new levels of management were introduced

in the shape of Group Managers, Development Managers and Regional Managers in most of the States. The role assigned to them was primarily developmental, with little supervisory and control functions, these being the responsibility of the Zonal Officers headed by Assistant/Deputy General Managers.

The Business Plan, supported by the reorganisation of the developmental machinery, indeed gave a great impetus to the Bank's efforts, as would be evident from the all-round impressive growth in the Bank's business reported above. Correspondingly, the working results for the year were also very satisfactory. The net profit of the Bank, after allowing for all usual and necessary provisions, improved from Rs 74.05 lakhs the previous year to Rs 92.65 lakhs from which after deducting the amount of Rs 1.53 lakhs paid to staff as bonus for 1971 in excess of the appropriation made therefor, a balance of Rs 91.12 lakhs is left, which amount has been appropriated as in Table D:

The directors are conscious that, notwithstanding the encouraging results reported above, what is achieved so far has touched only the fringe of the problem facing the banking industry and falls far short of the aspirations of the common man. The Management is not oblivious to the several deficiencies and shortcomings. Constant efforts are being made to improve and streamline the organisational structure, staffing pattern, man-power development, operational procedures, decentralised decision-making machinery etc. and above all, to reorient the thinking at all levels.

To meet the ever-growing needs of training in line with the quantitative and qualitative expansion of the Bank's activities, one more Training Centre was set up at Lucknow (U.P.) during

TABLE D

1971 Rs		1972 Rs
18,00,000.00	Amount transferred to Reserve Fund in terms of Section 3(6) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970	19,00,000.00
37,55,000.00	Amount provided for Bonus to Staff ...	53,50,000.00
	Balance amount to be transferred to Government in terms of Section 10(7) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970	
18,50,467.18		18,62,394.87
74,05,467.18		91,12,394.87

the year under review. One or more centres are proposed to be added in 1973, according to the emerging needs.

In conformity with the decision of the Official Languages Implementation Committee of the Department of Banking, Ministry of Finance, Government of India, the Bank has initiated steps for ensuring progressive use of Hindi in its day-to-day business in Hindi speaking areas. The standard forms and stationery like the account opening forms, rules relating to various types of accounts, pass books, cheque books, pay-in-slips, loan application forms, security documents and other publicity literature, are printed in Hindi for use of the Bank's customers and the public at the branches located in Hindi speaking areas. A Hindi Cell is being established in the Bank for promoting use of Hindi in the office circulars, administrative orders and

reports, press reports etc. issued by the Bank. It is also proposed to organise in-service training programmes for teaching Hindi to the Bank's employees. During the year under review, the Bank was deprived of the services of two members of its first Board of Directors. Shri H. M. Trivedi resigned in April 1972, upon his election as a Member of the Council of States (Rajya Sabha) in Parliament. In August 1972, Shri P. K. Kaul, Joint Secretary, Department of Expenditure, Ministry of Finance, also ceased to be a member of the first Board and in his place Shri M. Dandapani, Director, Department of Banking, Ministry of Finance, Government of India, joined the Board with effect from 1st September, 1972. The Board recorded its sincere appreciation of the very valuable services rendered by Shri H. M. Trivedi and Shri P. K. Kaul as mem-

bers of the Bank's first Board of Directors during the first formative post-nationalisation years.

In December 1972, in terms of the provisions of the Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1970, the Central Government constituted the new Board of Directors as well as the Management Committee of the Bank. All the five members then serving on the first Board were re-appointed as members of the new Board along with four other new Directors, Shri S. Bardhan, Shri S. B. Godiwala, Shri R. R. Upasani and Shri M. Jeelani. Shri P. F. Gutta ceased to hold the office of Custodian on his appointment as Managing Director and Chairman of the new Board. With the reconstitution of the new Board and the appointment thereon of Shri S. Bardhan and Shri S. B. Godiwala as Directors representing the workmen and supervisory staff of the Bank respectively, a new chapter in participative management was opened in the history of Indian banking.

The Board feel considerably gratified with and hereby record their appreciation for, the spirit of devotion and co-operation displayed by all the employees of the Bank, which ensured, in great measure, the results reported above.

For and on behalf of the Board,
Bombay,

P. F. GUTTA
Chairman
28th April, 1973

FROM THE CHAIR

Devidayal Electronics and Wires Limited

(Formerly Devidayal Cable Industries Limited)

Review by the Chairman, Mr Harikishandas T Aggarwal

THE following is the Review of Mr Harikishandas T Aggarwal, Chairman, Devidayal Electronics and Wires Limited, circulated to the Shareholders along with the Annual Report 1972:

OPERATIONS

During the year under review the sales and profits have recorded a further growth. The sales during 1972 were 629 lakhs, which is 19.6 per cent higher than the sales of 526 lakhs in 1971. If this rise in sales is viewed in the light of the loss of production in 1971 owing to a strike in our works, the sales appear stagnant. This can be attributed to the difficult market conditions prevailing in 1972. Owing to the slackness in implementation of plans by The State Electricity Boards, the Transformer industry registered meagre growth. Fan and Meter industries faced a slump. There was a slump in the

afftake of ACSR Core wires by the Conductor manufacturers. Due to the uneconomic export prices, we had also to curtail exports.

The profit before tax amounts to 38.37 lakhs compared to Rs 35.56 lakhs of last year. As a percentage of sales, the gross profits has declined from 6.8 per cent to 6.1 per cent. After the canalization of Copper through MMTC, the price of Copper has been on the increase. The price of Steel has also gone up, during the year. Considering the market conditions, we had to absorb the increases in the cost of these critical raw materials. This has affected the profitability.

STEEL WIRE DIVISION

This division is playing an increasingly important role in the sales and profits of your company. In 1972, the sales of this Division were 174 lakhs accounting

for 27.7 per cent of the total turnover. The sales in 1972 was 20 per cent higher than the sales in 1971, which was 145 lakhs.

The higher profitability and long term demand prospects has prompted us to expand activity in this Division. As you are aware, we had received a letter of registration to enhance the capacity of Steel and Alloy Steel wires to 20,000 tons per annum. We have also completed negotiations with ICICI for a term loan of Rs 20 lakhs to finance the expansion in this division. We hope to complete the expansion project by the end of 1973.

UNION BUDGET

The reaction of the stock market to the budget was one of jubilation, as indicated by the bullish trend in share prices. However, we have good reasons to feel concerned. As you know, Copper

and Steel are the two most critical raw materials used by your company. Both of these have been earmarked for bearing additional burden. The import duty on Copper has been increased from 32½ per cent to 45 per cent. The MMTG has raised the price of Copper from Rs 14.25 Kg. to Rs 16.78 Kg. for the month of March. Due to this price hike, electrical equipment prices would go up by 10 per cent. The State Electricity Boards, which receive fixed quantum of funds, would buy less of equipment. This would affect the demand for the products of your company.

The auxiliary levies on imports would also affect your company. It would be difficult for your company to bear this additional burden and we will be forced to pass on the burden to our customers.

Government proposes to introduce accelerated rates of initial depreciation in place of development rebate. However this concession, is to be extended to a few selected industries, and is a cause of much speculation. I am happy to note that our major expansion projects would be completed before 1st April 1974, and we would draw full advantage of the provision of development rebate.

DEMAND — SHORT TERM AND LONG TERM PROSPECTS

By now, the Corporate sector has come to accept power scarcity as a fact of life. According to Dr K L Rao, the short fall in generating capacity is estimated at 3 million KW for the year. With the states progressively imposing power cuts, industrial production is severely affected, estimated losses running into several crores of rupees.

Located in Maharashtra, we are only marginally affected by the power cut. But we cannot say the same of our customers. The deplorable power situation is likely to impede the demand for our products. Paucity of funds seems to be a perennial problem with the State Electricity Boards. With the drought demanding diversion of resources, we cannot expect any improvement in the status of the power projects.

We hope an early monsoon would put an end to our tribulations. 1973 would be a difficult year for your company. We are however taking steps to maintain the profitability of your Company.

Government has embarked upon a very ambitious power development plan, envisaging an addition of 21 million KW of generating capacity by the end of the Vth plan. Since 1966, the additions during any year have not exceeded 2 million KW. The public sector plants manufacturing power gene-

ration equipment are working at less than 50 per cent capacity and are also postponing deliveries. Unless suitable steps are taken, any acceleration in the rate of addition to generating capacity seems difficult.

Besides, power projects have long lead periods of 6 to 8 years. Hence, emergency measures taken now are not likely to fructify before the end of the Vth plan period.

Government is considering the prospects of importing gigantic thermal power plants. It is doubtful whether the country would have the resources to do so. Considering these factors, I do not foresee any significant growth in the power development projects. And so the demand for your company's products would not grow rapidly.

As an added factor, Government has considerably enhanced the licensed capacity in the Winding wire and Steel wire industries. In the years to come, competition is likely to intensify.

However, we are fully prepared to meet the situation. We propose to diversify into special purpose Steel and Alloy Steel wires. Our Sole Selling Agents are making efforts to tap new markets for steel wires. We have also diversified into the field of electronics, which is a far more profitable field, compared to the existing ones. With these steps, we hope to improve the profitability of your Company.

ELECTRONICS

We have received the letter of intent for the manufacture of 3000 desk top calculators per annum. The prototype was developed by Messrs. Vidyut Research Company Pvt. Ltd. We exhibited our calculator at Asia 72 and it was well received. We hope to introduce the calculator in the market by December 1973. We are confident of selling 100 sets this year and hope to raise the sales to 2000 sets by 1974.

As you are aware, we had also received a letter of intent for the manufacture of 30,000 tape recorder sets per annum. The prototype is under development. We hope to introduce our tape recorder in 1974.

The construction of the factory building at Bangalore, is in progress. It is expected to be ready by September. Meanwhile we have started a training school to train the assembly girls.

The entire project for Calculators and Tape recorders will cost Rs 47 lakhs.

Our Capital Goods application is pending with the government. As soon as it is cleared, we propose to approach the financial institutions for a term loan of Rs 30 lakhs (including Rs 10 lakhs in foreign currency).

Under our letter of intent we have

an export commitment. We have started exploring export markets, especially in USA, UK and Germany. I am happy to note that the response has been favourable. We are confident of meeting our export obligations.

We have plans to enter into a wide range of markets including business machines, entertainment, process equipment, electronic components, etc.

The field of electronics is a virgin field, offering immense potential for growth. The profitability of this division would be much higher than that of the existing divisions. Through our diversification plans, we hope to increase the profits of the Company substantially.

RESEARCH AND DEVELOPMENT

Manned by a team of able technicians, this cell continues to do good work. In the face of a 100 per cent increase in the prices of the chemicals over the last 7 years, R & D department has maintained the costs of varnish, through constant endeavours at import substitution and process development.

During the year, we have successfully manufactured Polyvinyl Formal Resin and Polyvinyl Alcohol Resin, on a laboratory scale. Other accomplishments of the department have been

i) Commercial production of Phenolic Resin.

ii) Development of coloured enamelled wires, with indigenous raw materials.

iii) Thermo bonding enamelled wires.

With constant efforts at development of Enamels, we are now confident of manufacturing quality products. We now have plans to expand the capacity of Enamel department and export Varnish.

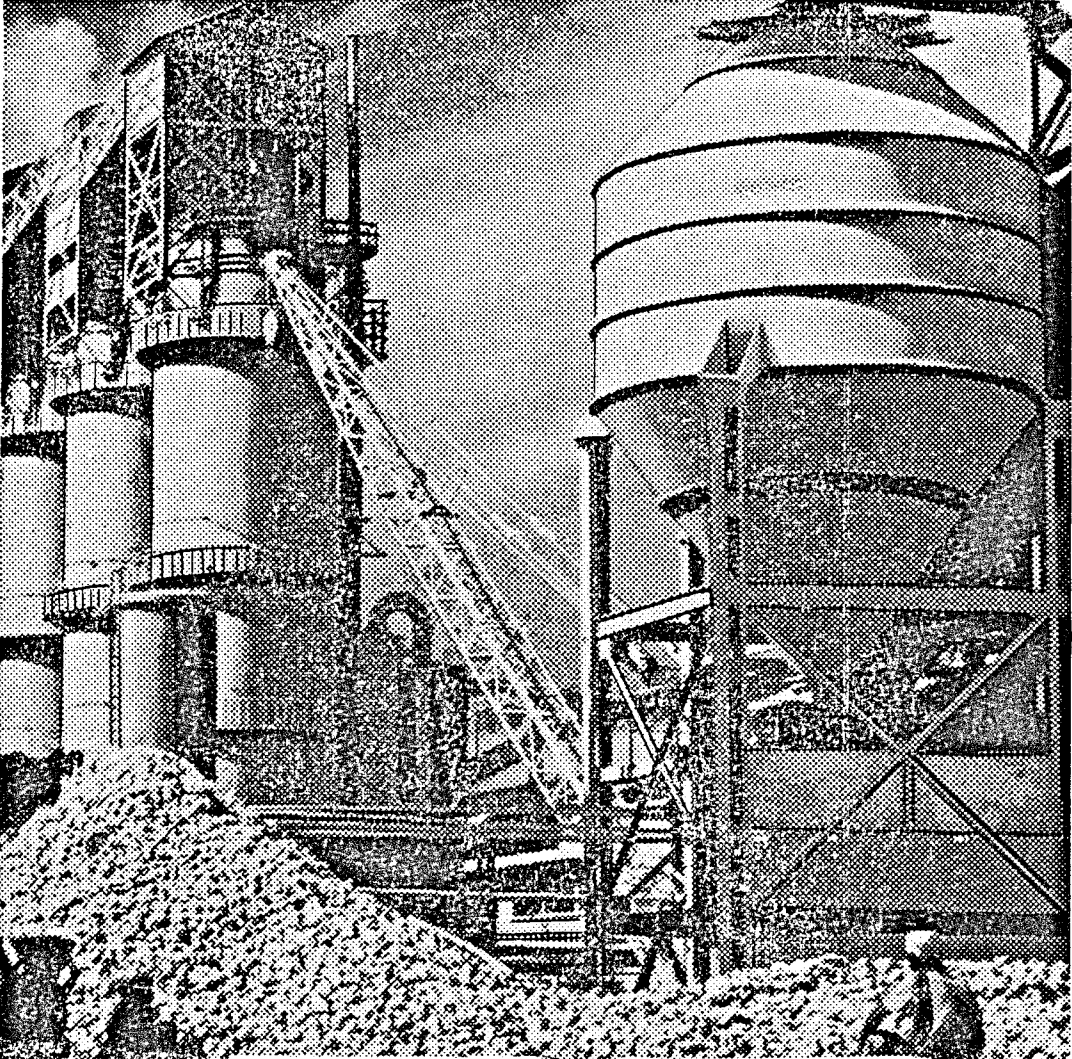
We have been fabricating sophisticated machines in our workshop. This year, we built a fine wire drawing machine which can draw Copper wire at 6000 ft./minute. We have successfully modified an imported straight line machine with electronic drive into a double deck block machine.

PERSONNEL

In an economy fraught with industrial strife, we fully recognise the contribution of industrial harmony to higher productivity and economic growth. We are taking steps to put our personnel policies on a strong footing. As a result, we experienced a year of cordial relations between the labour and the management.

I take this opportunity to thank all the employees for their co-operation and sustained efforts which have significantly contributed towards the prosperity and growth of the Company.

H T AGGARWA



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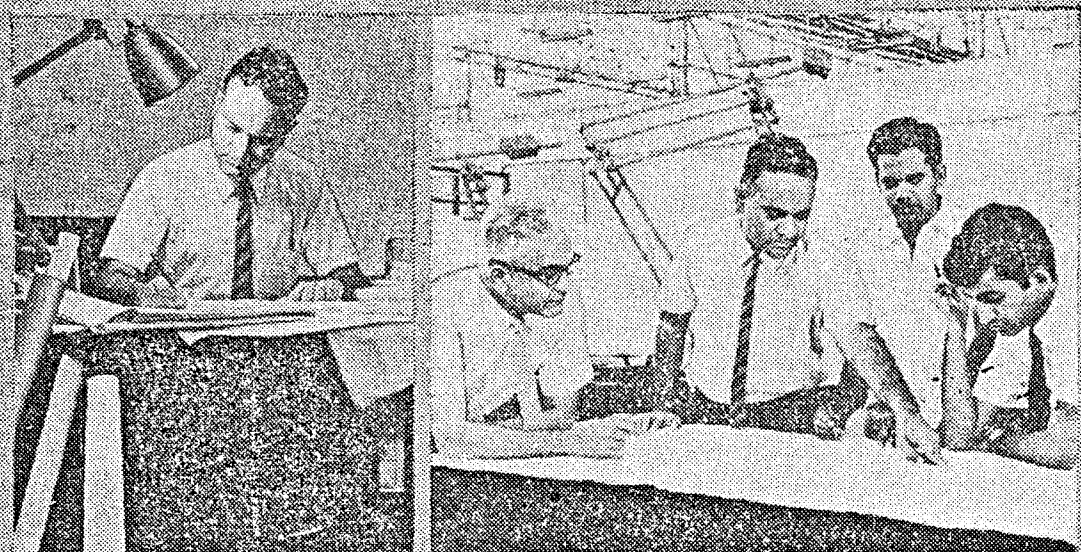
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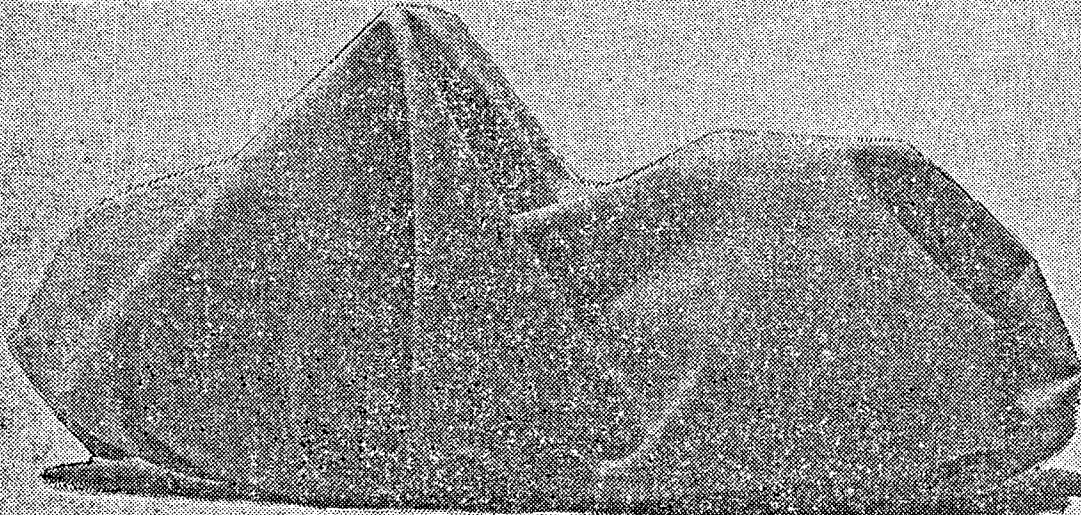
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ECONOMIC AND POLITICAL

WEEKLY

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Rs 1.50

Vol VIII No 24

June 16, 1973



P
R.R.No.1720/73.

RAILWAY WORKERS BEGIN TO ORGANISE THEMSELVES

UNEQUAL BENEFITS FROM KOSI DEVELOPMENT

POLITICAL CHANGE IN AUSTRALIA

PUNJAB'S LAND GRABBERS

TAX TREATMENT OF FARM AND NON-FARM INCOMES

TO FIGHT FOR YOURSELF IS 'NAXALITE'!

AT SLOGANS WILL WORK NO MORE

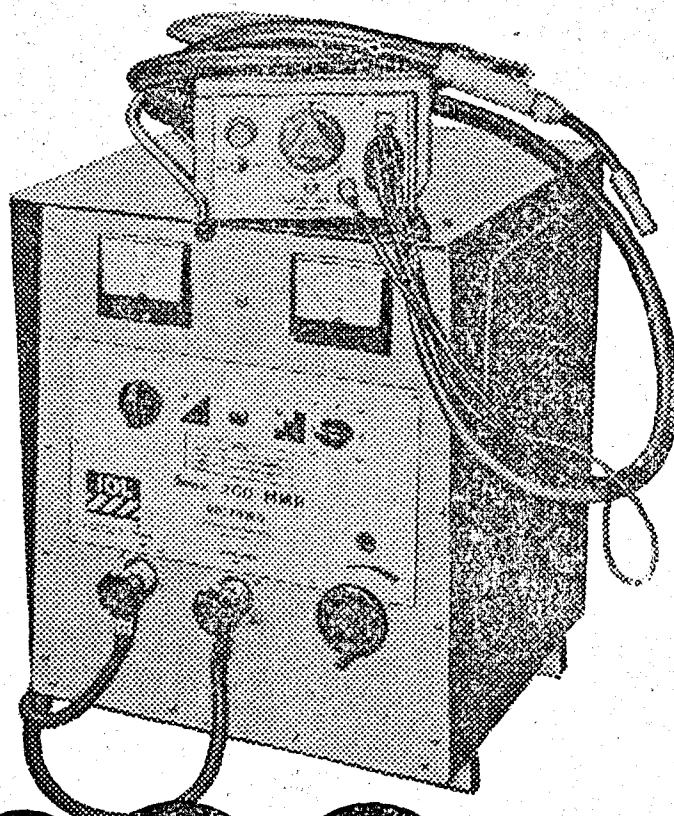
BIG NEWS FOR THE WELDING INDUSTRY

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ECONOMIC AND POLITICAL WEEKLY

Founder-Editor: Sachin Chaudhuri

Vol VIII No 24 June 16, 1973

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ECONOMIC AND POLITICAL WEEKLY

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Doing without Parties

THE rest of India may not catch a cold every time UP sneezes, but when developments in this largest state of the Federal Republic of India lead to its governance being taken over by New Delhi, the matter deserves attention. Ostensibly the reason for imposing President's Rule in UP is last month's revolt of the Provincial Armed Constabulary there. But it is not a very convincing reason, serious as the PAC revolt was from the point of view of the establishment. What seems more plausible is that, seizing upon the PAC episode, Kamalapati Tripathi's opponents in the faction-ridden UP Congress threatened to raise a revolt of their own. Whether or not his opponents would have succeeded in toppling the Chief Minister, they appear to have been able to persuade the party's central leadership, and the Prime Minister particularly, that if the faction fighting was allowed to continue it would effectively impair the party's chances in the Assembly elections early next year. And the Assembly elections in UP, as everyone knows, have for quite some time occupied a very high place in the Prime Minister's scheme of priorities. To put it briefly, then, UP had to be taken under the Centre's wing to make the state safe for the Congress in the elections.

Andhra and Orissa had preceded UP in going under President's rule and it is very likely that some others like Gujarat, Bihar, Madhya Pradesh and Rajasthan may follow it in due course. Of course, many of these states have been under President's rule in the past. But past practice in the matter has been generally for the Centre to step in either when a state was ruled by a non-Congress government or when there was imminent danger of a non-Congress government displacing a Congress one. In this respect things have evidently changed. All the states under President's rule at present had Congress governments, as have all the others who appear likely to end up by being ruled from Delhi; nor was, or is, any of them threatened by a take-over by a non-Congress government. Why has it become necessary for New Delhi to step in even where the Congress party — if not the particular Congress government in office at the moment — is to all appearance firmly in the saddle?

The answer has to be sought in the failure of the Congress party organisation to resolve conflicts which arise within it. As a result, situations which would normally be tackled by the party organisation in the states concerned have to be resolved by the use of the powers available to the Central government under the Constitution. As our correspondent writes elsewhere in this issue, even in West Bengal it required the threat of imposition of President's Rule to bring the warring factions in the state Congress party together for their peace talks earlier this month. The declining ability of the Congress organisation in the states to resolve internal conflicts may be traced to numerous factors. Perhaps the most important of these is the damage done to the party organisation at the time of the split in the party in 1969. In some of the states, like Gujarat and Mysore, the present ruling Congress was unable to take over the established party structure; in many others — Andhra Pradesh and Rajasthan, for instance — the existing party organisation was systematically dismantled as part of the Prime Minister's strategy to consolidate her hold over the party. The further tactic, after the 1972 Assembly elections, of imposing on the states chief ministers hand-picked by the Prime Minister, and with little or no political support of their own, effectively ruled out the possibility of reconstruction of the party organisation. The Barkatullah Khans came to their Chief Ministerships by Indira Gandhi's grace and by it they have been content to rule ever since.

In this general situation making for neglect of the organisational aspects of the party, the economic difficulties of the last year or two have made conflict resolution even more difficult within the party, first, by cutting into the quantum of the spoils available for distribution among the party factions and, second, by sharpening the conflict of interests among certain sections of society — e.g., between the farmers with surplus foodgrains to sell and the urban middle class or between the big farmers who have hogged most of the agricultural inputs in short supply and the middle ones who have to make do with whatever is left — which inevitably got reflected in sharpened conflict within the Congress. Also, the economic difficulties and the Central government's helplessness in their face have dimmed the political halo around the Prime Minister and this has weakened the last restraining influence on factional squabbles in the Congress in the states.

The 1971 elections to the Lok Sabha and those to the state Assemblies last year demonstrated that superlative electoral performance could be built

the Prime Minister. However, in today's situation, these electoral episodes are only of historical interest. Clearly, the consequences of organisational weightlessness are beginning to be felt acutely by the Congress.

What gives these developments a larger significance is that the decline of the Congress as a party does not seem to be accompanied by an uptrend in the fortunes of any of the other parties. The country's parliamentary system thus appears to be headed in the direction of having to function in many parts of the country virtually without political parties. The government's growing reliance on the forces of law and order to keep mass discontent under control is manifest. Together with the role that is devolving on the bureaucracy as a result of the decline of political parties and the proliferation of President's Rule, the prospect therefore is one of the rump of the Congress party that is in power at the Centre ruling much of the country with the help of the bureaucracy, the police, and, as and when necessary in an emergency, the army. None of the established parties has the mass base, except in limited areas, to be in a position to significantly alter this course of events. The more significant political developments may, therefore, have to be increasingly sought outside the framework of the parliamentary system and the established parties.

Food Economy

Chronology of Mismanagement

THE government's hypocrisy in the management of the food economy in the past year and a half will turn even the most ardent optimist into a cynic. A year ago, the government had stocks of nearly 10 mn tonnes of foodgrains, mostly wheat. The Agricultural Prices Commission had recommended in March 1972 a reduction in the procurement price of wheat on many weighty considerations, the most important of which were the cost of production and the large budgetary subsidy involved in government operations in foodgrains. However, the government maintained the procurement price for the 1972-73 season. In the meantime, reports of unsatisfactory weather conditions raised the open market prices of wheat. The Food Corporation unloaded some of its stocks at the subsidised prices and traders gratefully snapped up a large part of it. Panic prevailed in

the government. A programme to import foodgrains was announced, but actual purchases were so delayed that anywhere between one-third to one-half more had to be paid out of the country's scarce foreign resources. As a result of the high open market prices, procurement of kharif grains, planned at 4.6 mn tonnes, aggregated just 2.2 mn tonnes. This was despite the system of monopoly procurement of paddy in Assam, Maharashtra and Orissa, of levy on producers in Kerala, Mysore, Andhra Pradesh, West Bengal and Gujarat, and of levy on millers/dealers in nine rice-growing states. These states had procured 3.2 mn tonnes out of a total output of 42.2 mn tonnes in 1970-71 and 3.1 mn tonnes out of 42.7 mn tonnes in 1971-72. In 1972-73, they could procure only 2 mn tonnes out of an output of 40 mn tonnes, despite the raising of procurement prices by Rs 2 per quintal.

Then came the now-famous emergency production programme which to begin with promised 15 mn tonnes of additional grains at a cost of Rs 150 crores. Now the government is talking of a wheat output of 26.5 mn tonnes — which is to say that the money spent on the crash programme has virtually gone down the drain. On the procurement front, despite the take-over of wholesale trade in wheat, government purchases to date total a little over 3 mn tonnes, considerably lower than even last year's procurement, leave alone the target for this year of 8 mn tonnes. Ministers have talked of imports ranging all the way from 2 mn to 7 mn tonnes. The Finance Minister held out the threat to farmers the other day that if they didn't sell enough grain to the government, it would simply go in for large-scale imports. The "task force" under the Minister for Heavy Industry had a different solution which was to offer Rs 10 worth of inputs for every quintal of grains sold to the government. With the government thus bending over backwards to please the larger farmers, foodgrain traders could be forgiven for offering to help the government procure 7 mn to 10 mn tonnes of wheat if only it raised the procurement price from Rs 76 to Rs 85 per quintal — and, of course, in effect rescinded the trade take-over decision. The government, which once appeared inclined to accept the offer, has on second thoughts preferred to distribute its bounty among state politicians who, after all, know the benefactors of the ruling party better.

To what extent the policy-making machinery at the Centre is in the grip of the rich farmers' lobby is evident from the Food and Agriculture Ministry's proposals, gratefully accepted at Thursday's conference of state chief ministers, for payment of a bonus to state governments for procuring wheat and for higher support price for rice. About 90 per cent of the wheat procurement in the 1972-73 rabi has been done by the FCI, a Central government agency. It is difficult to understand, then, why any incentive should be given to the state governments or how it will help FCI to attract more foodgrains — unless this is to be taken as public acknowledgement of the fact that there is a direct link between the state governments and the holders of surplus grains. The Centre evidently expects the state governments to make use of the funds — about Rs 32 crores if procurement is 8.1 million tonnes and Rs 15 crores if it is 5 million tonnes — for offering incentives to farmers as they think fit. Procurement of 8 mn tonnes is an impossible achievement. Of the less unlikely figure of 5 mn tonnes, about 3 mn tonnes would be from Punjab whose politicians and farmers will thus get about Rs 15 crores. Most of this quantity has already been procured. The total requirement of wheat for public distribution for the next eleven months, at the rate of a million tonnes or so a month, would amount to about 10 mn tonnes. The population nominally covered under statutory and informal rationing now works out to about 420 mn, the highest on record. Wheat being scarce in the international markets and such imports as can be arranged being prohibitively expensive, the poor need have no hope of getting foodgrains from the public distribution system.

The government's decision to treat the higher procurement price recommended by APC as support prices is really incomprehensible. The distinction between procurement prices and support prices is well known to the government. The minimum support prices are "in the nature of a long-term guarantee to the producers that in the event of a glut in the market consequent on excessive increase in production, prices will not be allowed to fall below the minimum economic levels"; procurement prices, on the other hand, are "essentially for the purchase of quantities needed by the government public distribution and include reasonable incentives to the producers" (Annual Report of the Ministry of Agri-

culture, Department of Food, 1971-72, pp 15 and 17). On this basis, the procurement price for paddy had in the past exceeded the minimum support price by about Rs 10 per quintal. In 1971-72, the minimum support price was Rs 46 per quintal whereas the procurement price was about Rs 56 to Rs 58 per quintal. This year, the APC has recommended a higher procurement price of Rs 63 per quintal for paddy — an increase of Rs 5 to 7 per quintal. Now this is sought to be converted into the support price. And, of course, the subject of a levy or monopoly purchases, to get the required quantities of paddy and other grains, was not even mentioned at the Chief Ministers' meeting. The fate of the decision to take over the wholesale trade in rice and paddy from the next harvest was another subject which was apparently taboo.

West Bengal

Outmoded Mores

BY all reckonings, it was an extraordinary event. Throughout the first half of this month, the Writers' Building at Calcutta, which is where the secretariat of the state government is located, was taken over at zero rent by the Congress party. The Chief Minister and the President of the state Congress Committee appropriated the official facilities in the Building to meet the MLAs and other important functionaries of the party hailing from different districts. Factional squabbles within the party had reached their zenith, the daggers and the sten-guns were all out, at least one MLA had lost his life, and there were countless instances of violent confrontations between opposing groups of near-criminals who now constitute the mainstream of the party. These intra-mural affairs of the party badly needed to be looked into, and a venue was necessary where the warring groups could be met by turns. The Chief Minister thought nothing of using the government premises for the purpose. Even the Chief Secretary, supposed to be the principal civil servant in charge of the secretariat and the administration, either did not think that anything was wrong in permitting the Congress the free use of public property and facilities or was too tremulous to protest.

So there it was; a complete identification of the party and the government: Ask not what the party can do for the government, rather ask what

the government can do for the party. It can do, and has been doing, a whole lot. Established procedures for recruitment to government jobs have been suspended in the state, the Public Service Commission has been by-passed, the employment exchanges have been admonished to mind their own business; vacancies in government departments and in public sector undertakings under the control of the state government, such as the State Electricity Board, have been filled up on the basis of lists of names supplied by party hacks. Thus the provisions of the Constitution have been summarily given the go-by; Article 16 pertaining to equality of opportunity in matters of public employment has been despatched to oblivion. The fundamental right of one citizen to be treated on par with other citizens in the matter of employment in government — provided the other conditions have been satisfied — has been brushed aside.

The constitutionalists, in their goodness of heart, would suggest a reference to the courts so that outrages of this nature could be prevented. But one cannot at all be sure that the judiciary would think it fit to interfere. To strike down the appointment of a Congressman on grounds of discriminatory practice may in no time be described as a 'backward-looking' decision. With their prior knowledge about which side their bread is buttered, the judges may therefore decide to turn a blind eye to goings-on, such as currently in West Bengal.

There is also an anachronistic service rule that no government servant may be a formal member of any political party. Following the progressive developments in recent months, that rule too is in the process of being eroded beyond recognition. From now on, it would seem, one could simultaneously be both a government servant and an active functionary of the Congress party; this would no longer be considered as ill manners, nor would it invite administrative retribution. It is, of course, a different matter if you choose your political party wrongly; the government's weaponry will then be out in full regalia to mete out the deserved punishment. Democracy, after all, is defined in terms of who lords it over whom. Even the Greek military oligarchy would feel genuinely hurt if you were to call it by any name other than 'democracy'. So be it here.

Newsprint

NEPA's Lonely Failures

THE National Newsprint and Paper Mills (NEPA) in Madhya Pradesh is the country's only newsprint unit. Set up as a private enterprise in 1947, the company was taken over by the state government in 1949 and by the Central government in 1958. The first machines were put into operation in 1954-55; commercial operations started in 1956-57 at a total cost of Rs 5.41 crores; and the rated capacity of the mill, of 30,000 tonnes per year, was achieved only in 1963-64 — 17 years after incorporation and seven years after the start of commercial production. At present, about 52 per cent of the shares are held by the Centre, 34 per cent by the Madhya Pradesh government, and about 14 per cent by private investors.

In 1963, it was decided to expand the capacity of the mills to 75,000 tonnes per year; a part of the increased output — about 7,500 tonnes — was to come from the renovation of one of the paper machines. The preliminary project report, prepared in August 1963, estimated the cost of expansion at Rs 7.32 crores. The detailed project report, prepared in July 1965, revised the estimates to Rs 9.50 crores. The seventh revision of cost estimates, made in July 1968, placed the cost at Rs 11.71 crores but did not include interest charges amounting to Rs 98 lakhs. Yet another estimate, made in May 1972, placed the expansion cost at Rs 11.95 crores, excluding expenditure on the township of Rs 34.35 lakhs sanctioned *ex post facto* by the Centre. A further sum of Rs 76 lakhs is to be spent on the expansion of the captive caustic soda chlorine and calcium hypochlorite plants.

At the same time, the renovation of the old paper plant, which was scheduled to be completed in 1968, has yet to come about for want of matching pulping capacity and due to other difficulties. It is now expected to be carried out this year. NEPA's new paper machine went into production in March 1969, about a year behind schedule. And this unit too is expected to attain its rated capacity of 125 tonnes per day only after the new pulp unit is commissioned in 1973-74 — after a delay of more than five years.

It is not unusual to find an integrated

paper mill first commissioning its paper machine and operating it on purchased pulp till its pulp unit is erected. However, for NEPA, imported pulp or even domestically available pulp proved to be far too expensive. In part at least this was due to rise in costs, but in the main it was due to the price control on newsprint. In fact, newsprint prices remained stagnant for almost a decade, till mid-1968. An *ad hoc* increase of Rs 50 was granted in 1968 which brought the selling price of NEPA's newsprint to Rs 1,100 per tonne, even as the cost of imported newsprint at that time was Rs 1,243 per tonne. In September 1971, government raised the selling price to Rs 1,362 per tonne, bringing it on par with imported newsprint prices. By then even this increase could not neutralise the rise in costs. NEPA incurred operating losses of Rs 92 lakhs in 1969-70 and Rs 52 lakhs in 1970-71; 1971-72 witnessed considerable improvement and NEPA showed a marginal profit of Rs 4 lakhs.

Government's pricing policy with regard to newsprint not only goes contrary to its general practice of price determination on a cost-plus basis but also inhibits the growth of an industry for whose product the country relies heavily on imports. India imports about 82 per cent of its requirements of newsprint, and the total annual import bill on this account was on an average about Rs 16 crores during 1967-68 to

1969-70. Value of imports increased further to Rs 18 crores in 1970-71, and again to Rs 23 crores in 1971-72.

Apart from NEPA's expansion programme, four newsprint projects are at present under consideration. These include Hindustan Paper Corporation's unit at Kerala with an annual capacity of 80,000 tonnes and three other units in the private sector. Among the private sector schemes, the oldest is that of Ballarpur which has remained at the project outline stage for almost a decade. Considering the progress made in these schemes, it is unlikely that any of them will be commissioned before the end of the decade.

It may be said that, looking at the way NEPA has been functioning, the promise of an efficient indigenous newsprint industry is not all that bright. But the moral of the NEPA story must not be lost sight of. Having taken the initiative to set up the first newsprint mill in the country and despite knowing fully well that demand for newsprint would grow at a fast rate, government has dragged its feet on creating further capacity. At the same time, the fact that the established business houses, which own the major dailies in the country, have not thought it necessary to come forward to set up newsprint units speaks for the absurdity of government's strict pricing and easy import policies.

Calcutta Diary

A M

THIS is a murky story which goes back twenty-eight months. The mid-term elections were barely a fortnight away, the Lok Sabha had been dissolved in the last week of the preceding December, the Prime Minister had asked for a fresh mandate for herself and her Government at the Centre. The halo sparked by the nationalisation of the fourteen commercial banks one-and-a-half years ago was still burning bright. Alongside the elections to the Lok Sabha, a fresh poll had also been ordered for West Bengal, which was under President's rule since March 1970, when the second United Front collapsed. The Assembly poll was touch and go. The CPM was riding high despite the fact that, apart from the support a few non-descript

groups, it was almost going it alone, it was confident about winning a comfortable majority in the state assembly. The two Congress parties, R and O, had their separate lists of candidates; so too was the case with the Bangla Congress, The CPI, the Forward Bloc, the Socialist Unity Centre and a few other of West Bengal's unending sprout of Left parties, who were all mortally afraid of the CPM's growing strength and yet bashful enough to stay away from Indira Gandhi's enticement, were banded together, and had their agreed list of candidates. Distinct from the parties enmeshed in the electoral game were the Naxalites, very much on the rampage at that time. There were, however, Naxalites and Naxalites; already one set amongst them

had begun spitting invectives against another. Polemics, open and under cover, were going on over the advisability of urban terrorism and over the criteria of identification of class enemies in the countryside. The prevalent confusion was being made use of by mysterious elements to infiltrate themselves into the ranks of the Naxalites and perhaps also of some of the other Left parties. West Bengal — particularly Calcutta — was, really and truly, no man's land.

As the best organised party in the state, and with a large following among the organised working class, the poorer peasants and the urban lower middle class, the CPM had continued to press home its advantage ever since Ajoy Mukherjee walked out of Writers' Building in the previous spring. The party was clamouring for a mid-term poll; now that the date of the poll had been announced, it could not see how its prognostications of a smashing electoral victory could go astray. Even when you talked in confidence with representatives of the Congress or the CPI, you could discern an undercurrent of pessimism and nervousness. Civil servants and police officials would wager private bets about the size of the majority the Marxists would be able to chalk up in the Assembly. Some of them had begun making discreet enquiries whether they would be bailed out and provided berths in New Delhi once the CPM marched back to power in the state and made their lives miserable.

NIGHT OF THE JACKALS

Going by external manifestations, it was almost the night of the jackals. Thanks to the Naxalites, and others whom it was impossible to identify with any clarity, greater Calcutta presented an eerie scenario. Battalions of the CRP and the army were all over, on the ostensible ground of maintaining and restoring law and order. Stray knifings and pitched battles between different political, and not-so-political, factions were taking place with a weary regularity. The affluent, and the only-moderately-so, middle class was increasingly worrying over what they believed to be the fast-descending darkness at noon. The newspapers were having a field day apportioning all the blame for what was happening on the Marxists; even the Naxalites, they would argue,

who can deny, were the offspring of the CPM; latter therefore must not be allowed to disown the outrages committed by its progeny. This, however, did not prevent either the Congress or the CPI from entering into temporary, even if clandestine, understandings with this or that shade of Naxalites for shutting off the CPM from this or that electoral area. However dissimilar their motives, there was a broad spectrum of agreement amongst nearly all the other political groups that, never mind the means, the CPM must somehow be stopped.

POLITICAL WAR VETERAN

But none of them was apparently feeling very hopeful. In the face of the organised prowess the CPM was demonstrating, it was almost taken for granted that, short of a miracle, that party was going to win the Assembly elections. Then something happened a bare fortnight before the polls on the misty morning of February 20, 1971 in a desolate north Calcutta lane. Hemanta Kumar Basu was a bachelor and an old political war horse. A respected uncle figure, about everybody in the political world had good words for him. He had been an associate of both C R Das and Subhas Bose, and was President of the All-India Forward Bloc for umpteen number of years. He had ups and downs; immediately following Independence, he had even left the Forward Bloc to join the Congress. That interlude did not last long. Soon he migrated back to the left movement, where he had remained a permanent fixture. It was difficult to think of any Leftist concourse in this state without the presence of Hemanta Kumar Basu, with his drooping moustache, mild manners, and inane, good-natured observations. He was a minister in both the United Front governments, and was a candidate in the 1971 election on behalf of the CPI-Forward Bloc front from the Shyampur constituency. In 1969, he had won from the same constituency, although he had then received the support of the CPM. Nobody knew for sure what the outcome in the ensuing election was going to be.

Around 9.30 on the morning of February 20, 1971, Basu stepped out of his house located in a by-lane in the Shyampur area, walked a few paces up to the intersection of a bigger lane, and was looking out for a taxi. Suddenly, an unnamed of young men converged and pounced on him; the daggers and knives were out; in a couple of dozen seconds or less, Basu's emaciated body was slashed beyond recognition. A few dazed

shrieks, and life ebbed out of the body, almost instantaneously. Their task accomplished, the young assassins disappeared along the deserted lanes and by-lanes. The present Chief Minister of West Bengal, who was campaigning out of town, immediately flew back to Calcutta and confided to the waiting pressmen that he had authentic information that the cadres of the CPM had murdered Hemanta Kumar Basu. The police, while maintaining a facade of impassiveness, arranged with care to let go of a few innuendoes which seemed to confirm the view.

The particular spot where Basu was set upon was supposed to have been a Naxalite belt for the preceding six months or thereabouts; supporters of the CPM could not, for dear life, approach anywhere near it. But this minor aspect of the matter got obliterated by the cacophony raised by the Calcutta newspapers and the collective outrageousness given expression to by the leaders of the Congress, the CPI, the Forward Bloc and others. Simulated or otherwise, it was a massive display of well-targeted revulsion. The long funeral procession with Basu's body the following day was converted into a mammoth demonstration of anti-CPM emotions. A condolence meeting was organised in the *maidan*, and a resolution explicitly accusing the CPM for the cold-blooded murder was passed amid self-righteous frenzy.

CAMPAIGN AGAINST CPM

The CPM was taken totally unawares. The leaders of the party tried to refute the allegation, but their enfeebled voice died in the wilderness of suddenly-acquired untouchability. It was a saturation campaign against the party for a cramped fortnight before the elections. The urban middle class was in particular sought to be aroused against the CPM as it had never been aroused. The All-India Radio chimed in: every quarter of an hour, it would call upon the good citizens to come out on election day and fulfil their noble obligation by voting against the cult of violence. As that day dawned, the scandalised housewives in towns and cities, who had never bothered to bestir themselves in any previous elections, emerged in their thousands; they, the jury, were casting their votes against the murderers of Hemanta Kumar Basu. When the results of the poll were announced, the CPM, it was seen, had lost heavily in several of their erstwhile strongholds in urban and semi-urban belts. On a conservative reckoning,

the murder of Hemanta Kumar Basu cost the party as many as thirty-five seats, each of which it lost by a margin of less than 2,000 votes. In a house of 280, the CPM front could capture only 127 seats, thirteen short of a majority. If only that particular murder had not occurred when it occurred, there cannot be the least doubt, Jyoti Basu would now be the Chief Minister of West Bengal and the political developments in the state in the recent period would have been altogether different.

ENTHUSIASM COOLED OFF

Those who sharpened the tooth of the dog, meaning Death, had the ecstasy of their contentment. What followed was dreary anti-climax. Some arrests took place initially in the wake of the murder. One or two Marxist supporters on the eve of the election, presumably to bolster the impression that the party was in fact responsible for the dastardly crime. Once the election was over, the enthusiasm of the police noticeably cooled off. A few further arrests did indeed follow, but this time from among elements belonging to the Forward Bloc, the party of which Hemanta Kumar Basu himself happened to be the leader; a number of Naxalites were also taken in for questioning. But the salt obviously had lost its savour; the investigation into the murder, stretching over the past two years, has been carried out in a listless manner. The CPM sympathisers who had been picked up were released in no time; not the slightest evidence could be brought together against them. The supporters of the Forward Bloc and the alleged Naxalites, who were subsequently arrested, were also let off. A case was limply proceeded with for several months against a single suspect; a few weeks ago, the police moved a prayer before the examining magistrate that the case against this individual too may be quashed as no evidence could be gathered.

Persons along these shores, who have their vicarious catharsis every morning from generous helpings of Watergate, would perhaps not find the unsolved murder of Hemanta Kumar Basu meaty enough. It is not merely a matter of Naipaul's 'craze for foreign'; there is something more to it — an uncertain compost of fear and guilt complex. A prominent political leader is murdered in open daylight in an open thoroughfare; the maximum political mileage is squeezed out of this murder, accusations are openly hurled by seemingly

responsible political leaders, with covert encouragement from those in charge of law and order, against a particular party; but once the political purpose has been served, there is a great conspiracy of hush-hush: nobody could be bothered to bring to justice the actual murderers. The police could be not more lackadaisical; those leaders who had been bubbling over with enthusiasm in pointing accusing fingers at the CPM have suddenly become tongue-tied. If you visit the spot where the crime was committed and engage the neighbours in discreet conversation, you would come away with quite extraordinary theories about why the government is so desperately anxious to bury the episode of Hemanta Kumar Basu's murder. There would be any number who, with a knowing wink in their eye, would whisper into your ear that Basu's murder was plotted — and executed — by this or that branch of

the police. They would remain vague if pressed about whether the conspiracy was hatched here in this city itself or somewhere else. You would however find it most difficult to shake their belief that there was, and is, much more than meets the eye. If national security would be in jeopardy if the CPM were to come to power in West Bengal, cloak-and-dagger operations to forestall this possibility, they would argue, might be considered as belonging to the genre of patriotic tasks. And if, in order to have the maximum impact, such cloak-and-dagger operations would call for setting up the assassination of a doddering, but widely loved, septuagenarian, why should those who master-mind these things at all balk at it? Those who derive their pleasure from Watergate should have little ground for discovering traces of *lese majeste* in such thought processes.

heartlands. At the same time, the known to enjoy her support would soon build the muscle to cope with these situations, is no longer considered relevant. Sethi in Madhya Pradesh and Barkatullah in Rajasthan are also unable to develop the responses that those situations require. One can hear whispered regrets about the shelving of the Brahmananda Reddys and the Sukhadias. This is acknowledgement that leadership in the state must be based on stable support for this or that leader. In other words, the satrap era is ending — or, so it seems.

EMERGENT PATTERN

We are likely to see many changes in the heartlands. Maybe, in the course of the search for leadership which has a base in these areas, the Centre will begin to realise the fundamental truth which it has so far refused to accept: that the newly awakened political consciousness in the heartlands and elsewhere can only be handled by the recognition that new states will have to be formed out of these old monoliths. Uttar Pradesh and Bihar could yield half-a-dozen states, and half-a-dozen leaderships quite relevant and stable for these states. Put them together, and you have trouble, constant trouble.

Of course, the power elite in the ruling party is reluctant to even discuss the possibility of a reorganisation of our federation at a time when so many other critical problems are unresolved, particularly those affecting economic health. Here and there voices are being raised for the first time in support of smaller states, despite the hysterical opposition of, surprisingly enough, the old protagonists of the idea — the communists. It could be that the political currents of today compel thinking in these neglected directions.

The problem of the flabby heartlands will not yield to a push there and a pull here. A very much more incisive review of the reality of politics and development in these areas will have to be undertaken. Interestingly enough, confidential reports reaching the national newspapers, and those wanting information, suggest that what has been going on in Uttar Pradesh is common to the heartlands — and that goes for PAC discontent and indiscipline. One only hopes that, unlike as in the case of Uttar Pradesh, the GOI's Intelligence network keeps working.

June 11

CAPITAL VIEW

Flabby Heartlands

Romesh Thapar

SLOWLY, with the usual subterfuge and double-talk, it is becoming fairly clear that the heartlands of the sub-continent — those backward areas which wield tremendous political power in our democratic arrangements — will have to pass under President's rule. The political manipulations, the corrosive pressures of powerful lobbies of caste and class, the erosion of morale caused by large-scale corruption, have so shattered the framework of administration and development that there seems to be no other corrective.

Uttar Pradesh and Bihar are at the moment under treatment. I use the word 'treatment' deliberately, because what we see as unnecessary delay in tackling the problem is really the Prime Minister's complex style of persuading the political factions within the ruling or dominant Congress parties in the states to demand Presidential rule. The betting is that both Kamalapati Tripathi and Kedar Pande will unseat themselves, and probably before the Prime Minister leaves for her Yugoslav and Canadian tour.

EXPENSIVE GAME

What an expensive game this is, at least for the wretched states which

come under the malignancy of Congress factions. Of course, President's rule if properly administered is like a shot in the arm. Even Andhra is convinced of its profound benefits, and so will Orissa be despite the love-hate tangles there. Now, the demoralised millions in Uttar Pradesh and Bihar await the benediction. Here, too, the forecast is that President's rule will continue well beyond six months — and that can mean anything.

CANNOT BE WISHED AWAY

The Congress High Command faces a problem in the heartlands which cannot be wished away by appointing this or that factotum. The Congress factions, powerfully based on caste and regional loyalties, have destroyed the elan of the party almost totally. To add to the confusion, the Muslim population is disgusted with the treatment it is receiving, particularly in the matter of jobs at lower levels. For the heartlands to become politically disoriented at this juncture would only complicate the task of managing the politics of the subcontinent in these critical times.

The Congress leadership knows that it cannot tolerate flabbiness in the Prime Minister's notion, that satraps

COMPANIES

Where Smaller Margins Don't Hurt

Hansavivek

SOUTH INDIA VISCOSE expects to complete expansion of its staple fibre plant, from 10 tonnes to 30 tonnes per day, and to begin production using the expanded capacity in October or November next. The company has also got 'letters of intent' for setting up a polynosic plant with a capacity of 20 tonnes per day and for expansion of the pulp plant from 60 tonnes to 120 tonnes per day. The expansion is to be financed entirely by internal resources and borrowings, and no fresh capital is intended to be raised. Last year, the company's production of rayon yarn was less by 423 tonnes and that of wood pulp less by 910 tonnes, compared to the preceding year, owing to a 40-day strike by workers and the power-cut. The

workers resorted to a stay-in strike in November/December on the question of bonus. The matter was settled by payment of 12.5 per cent of the total earnings as bonus and another 15 per cent as *ex-gratia*. The 25 per cent power-cut, imposed in October last, was raised to 40 per cent from February 1 and further to 75 per cent from February 15. Although the company has been using a generator, production has been affected to a great extent. Staple fibre production has been stopped completely and rayon production has been reduced by 50 per cent. The pulp plant, however, is being worked to full capacity. The management complains that STC has not only not accepted the company's claim towards

reimbursement of loss and interest under the export promotion scheme, but has claimed about Rs 28 lakhs as excess reimbursement made by it in prior years. The matter is in court. Meanwhile, the appeal to the High Court, against the levy of fees by the Textile Committee, has been decided in favour of the company. Despite slightly lower profit, dividend has been again stepped up by 4 points to 20 per cent and is shorted with the cover at 0.83.

ALEMBIC GLASS experienced marked contraction of margins last year on account of loss of production consequent to the power-cut and the reduction in prices of some important items due to "stiff competition" in the market. The company could produce 46,125 tonnes — against 50,262 tonnes produced in 1971 and against the installed capacity of 89,000 tonnes. The com-

The Week's Companies

(Rs in Lakhs)

	S I Viscose		Alembic Glass		Widia		Devidayal Electronics	
	Latest Year 31-12-72	Last Year 31-12-71	Latest Year 31-12-72	Last Year 31-12-71	Latest Year 31-12-72	Last Year 31-12-71	Latest Year 31-12-72	Last Year 31-12-71
Paid-up capital	490	490	193	193	40	40	68	69
Reserves	648	386	175	151	71	36	91	78
Borrowings	617	734	186	143	112	118	222	181
of which Term borrowings	597	710	14	20	35	32	13	5
Gross fixed assets	2507	2487	568	535	150	138	188	168
Net fixed assets	1222	1357	222	224	103	103	123	113
Investments	37	23	65	58	—	—	—	—
Current liabilities	472	499	133	145	15	19	57	69
Current assets	955	725	399	349	135	110	316	274
Stocks	252	233	232	228	78	66	188	149
Book debts	467	309	164	116	52	41	125	124
Net sales	1018	1144	661	641	165	149	601	507
Other income	20	13	9	7	5	1	7	6
Raw material costs	211	240	136	147	57	49	412	338
Wages	90	84	131	121	23	16	35	29
Interest	50	66	20	18	11	10	19	20
Gross profit(+)/loss(—)	416	428	151	181	47	44	49	45
Depreciation provision	154	159	37	40	12	10	11	10
Tax provision	5	11	67	85	—	—	19	16
Net profit(+)/loss(—)	257	258	47	56	35	34	19	19
Development rebate provision	175	90	2	3	3	4	2	2
Transfer to reserves	—16	90	22	30	26	9	10	10
Dividend								
Amount	E 98	78	E 23	23	E 6	4	P 1 E 6	1 6
Rate (per cent)	E 20	16	E 12	12	E 15	10	P 9.5 E 11	9.5 11
Cover (times)	0.83	2.15	1.96	2.30	5.33	3.25	1.91	1.91
Ratios (per cent)								
Gross profit/sales	40.86	37.52	22.84	28.24	28.48	29.53	8.15	8.88
Net profit/capital employed	14.64	16.02	8.48	11.50	15.70	17.52	5.00	5.78
Inventories/sales	24.75	20.37	35.10	35.60	47.27	44.30	31.29	29.38
Wages/sales	8.84	7.34	19.82	18.88	13.94	10.73	5.82	5.72

pany's licensed capacity is 71,040 tonnes. Net sales were Rs 20 lakhs higher, at Rs 661 lakhs, but with contraction of margins, gross profit was Rs 30 lakhs lower at Rs 151 lakhs. Even so, the reduced earnings covered the unchanged 12 per cent distribution 1.96 times. Number of employees entitled to receive emoluments, including benefits aggregating Rs 2,000 or more per mensem, increased by 4 to 25 over the year. The company's investments at book value amounted to over Rs 65 lakhs, including about Rs 51 lakhs in Alembic Chemical. Borrowings amounted to Rs 186 lakhs against Rs 143 lakhs a year ago.

WIDIA (INDIA) has complied with all the conditions imposed by Government for issue of industrial licence for doubling capacity to 48 tonnes per annum, and expects a licence shortly. Last year, the company increased its production from 30 tonnes to 35 tonnes, following increase in the installed capacity from 30 tonnes to 36 tonnes. The company's gross profit increased by Rs 3 lakhs to Rs 47 lakhs. The share capital is only Rs 40 lakhs. Dividend was stepped up by 5 points to 15 per cent, which was covered 5.33 times — against 3.25 times previously. The company has not been able to proceed with further issue of share capital on the terms proposed, as there were restrictions imposed by Government in the context of its application for substantial expansion.

DEVIDAYAL ELECTRONICS AND WIRES, formerly Devidayal Cable Industries, is diversifying into the field of electronics. It has got 'letters of intent' for manufacture of 3,000 desk-top calculators and 30,000 tape recorders per annum. These projects, estimated to cost Rs 47 lakhs, will be financed partly by term loans of Rs 30 lakhs (including Rs 10 lakhs in foreign exchange) from the financial institutions. The factory, being built at Bangalore, is expected to be ready by September. The calculator will be in the market by December and the tape recorder during next year. The company also intends to produce, among other things, business machines and electronic components. In the existing steel wire division, the capacity of steel and alloy steel wires is being stepped up to 20,000 tonnes per annum. Negotiations have been completed with ICICI for a term loan of Rs 20 lakhs for the project, which is expected to be completed by the end of this year. During 1972, the company's sales show-

ed a marked rise over the previous year; but viewed in the light of loss of production in 1971 on account of a strike, sales of the latest completed year have actually stagnated. This is attributed to slow implementation of plans by SEBs, meagre growth of transformer industry, slump in the fan and meter industries, and low offtake of ACSR core wires by conductor manufacturers. Contraction of margins, it is claimed, was the result of rise in cost of raw materials such as copper and steel. The company paid over Rs 18 lakhs by way of commission to sole selling agency firm, in which one of the directors is a partner. The chairman, Harikishandas T Aggarwal, envisages improved profitability for the company.

TRIMURTI AGROCHEMICALS, which is putting up, at Mangrol in Saurashtra, a complex fertiliser plant to manufacture various ratios of NPK to suit different types of crops and soils, is offering to the public equity shares of Rs 15 lakhs to raise a part of the finance required for the project. The installed capacity of the plant will be 50,000 tonnes per annum. The design of the plant is based on technical knowhow and consultancy obtained from Tennessee Valley Authority of the US. Total cost of the project, estimated at Rs 75 lakhs, is proposed to be met by equity share capital, term loans, and bank borrowings, of Rs 25 lakhs each. Orders have been placed for fabrication of the plant on a turnkey basis, and the plant is expected to be commissioned by the end of the current year. Located in a 'backward' area, the project will be entitled to tax concessions and other benefits allowed by Government. The management envisages that the company should be in a position to pay a maiden dividend of 12 per cent, wholly exempt from tax, out of the profits of the first year of production. The subscription list will open on July 2.

KOTHARI (MADRAS), in spite of the increased power-cut, expects to fulfil its earlier forecast of a profit of about Rs one crore — sufficient to pay a dividend of 10 per cent for the year ending August next. The company owns three textile mills in Tamil Nadu and AP, and tea and coffee estates in TN, Mysore and Coorg, which produce about 25 lakh kg of tea and 1,500 to 2,000 tonnes of coffee annually. It also has a coffee curing unit in Mysore state and a phosphatic fertiliser plant. It is proposed to set up a caustic soda plant in Madras at a cost of about Rs

8 crores. The company will also make ammonium chloride by fully utilising chlorine from the caustic soda plant and ammonia from Madras Fertilisers. It is also intended to establish a watch manufacturing unit with Swiss collaboration with a capacity of 5 lakh watches per annum. The company intends to issue 'rights' shares to secure part of the finance required for these projects, which would need a capital outlay of Rs 10-11 crores. According to H C Kothari, managing director, both the new units should be in operation by about 1975-76. With the existing plant and equipment, the company should be able to make a profit of Rs 1.25-1.50 crores in a normal year and pay a dividend of 15 per cent on equity capital.

TRIVENI SHEET GLASS, which is setting up a PPG sheet glass manufacturing unit at Iradatganj near Allahabad, is offering 6,30,000 equity shares of Rs 10 each at par to raise part of the finance required for the project. The installed capacity of the plant will be 5 million square metres per annum of sheet glass on the basis of 2 mm thickness. Estimated to cost Rs 247 lakhs, including about Rs 37 lakhs for land and buildings and Rs 119 lakhs for plant and machinery, the project will be financed by share capital (Rs 100 lakhs) and loans from financial institutions (Rs 147 lakhs). The company has obtained licences to import plant and equipment worth about Rs 45 lakhs from West Germany, France and UK. Hugo Knoblauch of West Germany, a pioneer in the PPG process, is providing technical assistance. The main raw materials — soda ash and sodium sulphate — are available within 10 to 20 miles of the factory site. The plant is expected to go into production in September or October 1974. The company has been promoted by D N Agrawal, who established 18 years ago Hindusthan Safety Glass engaged in the manufacture of glass and mirror glass. About 60 per cent of TSG's production is expected to be taken up by HSG. Agrawal expects TSG's sales to gradually rise from Rs 262 lakhs in the first year to Rs 363 lakhs in the fifth, when the plant will achieve full production. Beginning with a 6 per cent distribution out of the first year's profits, he believes the company should be in a position progressively to enhance it to 15 per cent in the fifth year. The subscription list is opening on June 19 and will close on June 29 or earlier, but not earlier than June 21.

FROM OUR CORRESPONDENTS

Now That Slogans Will Work No More

(From a Special Correspondent)

THIS must already be the season for the Prime Minister to begin a cautious stock-taking. The flood of populist emotions which she found surging to her side in the wake of the nationalisation of the 14 leading commercial banks has sustained her as long as it could. Following the victorious war over Bangladesh culminating in Pakistan's humiliating defeat, admiration for the Prime Minister reached its zenith by December 1971; the elections to the state assemblies in March 1972 proved to be an even greater walk-over for her than the Lok Sabha elections the previous year.

Nobody in the Congress would dare to suggest that the glory for these electoral triumphs belonged anywhere else than the Prime Minister's quarters. As a party, the Congress remains as unreconstructed as ever; it is still a portmanteau of conflicting ideologies and motives. The feather-bedders and the crooks continue to inhabit the party as much as the saints and the dyed-in-the-wool socialists. Given its inherent contradictions, it would be impossible to forge the party into an effective vehicle for political mobilisation at the grassroots. Even when it moves forward, it does so only because the motive power has been provided by exogenous factors. When it triumphs, it is often because of an accidental bequest bestowed on someone at the top; the fallout reaches down to all layers of the party. Similarly, if things go wrong at the top, if the leaders commit a *faux pas* or are embroiled in scandals or tear one another apart in internecine factional quarrels, the consequence too becomes pervasive. From time to time, perfunctory talks take place on the theme of converting the party into cadre-based one; such talks have now entered their umpteenth year. By its very nature, the Congress seems destined to remain condemned to inchoateness; the heritage of the spoils system has a tyranny of its own.

DISAPPEARING HALO

Which means that once the Prime Minister's halo disappears, the party is in danger. Sooner or later it was bound to happen that the stock of goodwill

which Indira Gandhi had accumulated for herself would start to dwindle. Till as long as her charisma was at work, the masses at large had willingly put up with the daily — and interminable — inconveniences of living. Besides, even when the rate of economic growth was just moderate, the pinch of these inconveniences was somewhat less acutely felt despite the acute skewness in the structure of distribution. But as the rate of income growth has petered out and there has been a widening of the temporal distance from the days of Indira Gandhi's glorious coups, the economic distress of the people is finding its sublimation through various manifestations of as yet admittedly minor rebellions. Indira Gandhi is progressively losing grip over events and circumstances. The very fact that she has begun to lose grip in turn ensures that economic administration will henceforth become that much more wobbly, leading to a further slackening of the rate of economic growth.

The Prime Minister is here a prisoner of her own dilemma. The dilemma stems from the gathering of economic forces which she has assembled under the umbrella of the Congress, and whose short-term avarice cuts into the prospects of the nation's economic progress. Each of these forces wants to be subsidised at the expense of the State; none wants to pay any additional tithe to the State. Each of them has got used to being a beneficiary of an unrequited system of spoils. With Indira Gandhi's diminished political prowess, it would now be most difficult to introduce a different behavioural pattern. The nationalisation of the banks, it was once naively thought in certain quarters, represented a watershed in political-economic arrangements in the country, since it heralded the break of the Congress party with monopoly capital entrenched in industry and trade and a purposive shift in monetary policy in favour of the poorer sections of the community, including small cultivators and artisans. In reality, however, following the act of nationalisation, industry and trade have barely experienced any diminution in the flow of bank credit in their direction. The

only thing of significance that has happened is that, at the margin, the affluent farmers are now able to appropriate a higher proportion of bank advances than they were able to do in the past. In terms of rough and ready class alignments, Indira Gandhi's political infrastructure continues to be based on the support of the upper peasantry and the bulk of the urban bourgeoisie. These classes, in their turn, have made use of her populist image to swing in their favour a sizeable segment of the electorate. Her strategy of leaning on radical slogans succeeded in offering opiates to large groups of rural masses, industrial workers and the urban middle class; at the same time her pragmatism ensured that the gravy continued to flow to the kulaks and the urban industrialists.

The growing practice of canalising domestic and foreign trade in the public sector might have provided a basis for the hypothesis that perhaps the government was interested in withdrawing support from at least one clearly demarcated economic class, namely, the trading community. The modality adopted however made it obvious that the illusion was intended to be greater than the reality. Certainly in foreign trade, nationalisation has not implied any erosion of the interests of private trade. In domestic trade too, protective devices have been set to work: erstwhile traders, whose activities have been nominally taken over, have learned camouflage operations, so that the adverse impact of the government's measures has been minimal.

MASS DISSATISFACTION

As dissatisfaction with economic conditions swells among the masses, purely formal gestures would increasingly lose their relevance. The implicit political model tried out during the past few years would then stop yielding any sizeable dividends. One can humour along the people only provided a margin is available somewhere in the economy to be distributed as peripheral bounty. Even where this margin is not available, the largely good-natured electorate can still be nourished on political exhortations and on hope of a blooming arcadia in the future. In view of the extremely short time-preference of the people, however, the latter becomes a rather unreliable instrument. There is a point beyond

which the discounted marginal utility of a prospective heaven fails to counteract the marginal disutility of the heli-lush present bereft of even minimum economic dividends. This cut-off point, seems, has almost been reached.

Given the particular constellation of economic forces hemming her in, there is no obvious way, by which the Prime Minister can extricate herself from the present mess. The slack in agricultural output and the lack of supplies in the international market have made her further vulnerable to the blackmailing of the kulaks. Unless political alliances are completely reshaped, it would therefore continue to be difficult to extract investible surplus of any worthwhile magnitude from agriculture. What is worse, resources raised elsewhere might have to be increasingly deployed to propitiate the elements who control the surplus in agriculture. This would make it impossible also to push ahead with land reforms, which could have been one means of raising the purchasing power of the rural masses and at the same time eliminating the institutional rigidities hampering production, particularly in the kharif belt. All this may slow down the rate of growth in the industrial sector as well, since the latter would be increasingly burdened by rising raw material cost, rising wage cost and a constricted market. The limitations on policy-making set by the compulsions of oral radicalism would make it equally difficult for the government to release industry from some of the administrative fetters placed upon it. The kind of theoretical construct that has often been proposed as a way out of the current stagnation, namely, a gradual relaxation of physical controls on industry to be combined with a larger order of fiscal levies on the gains from the consequential expansion of output, would also therefore not seem to be practicable in the existing circumstances.

THE CHOICE

If there is to be an economic breakthrough, Indira Gandhi will therefore have to exercise a clear choice in her political modalities. Either she has to discard one important element in her present package, namely, the carefully articulated predilection of populist slogans, and categorically declare a moratorium on measures of nationalisation, take-overs, and similar other acts. This will have to be accompanied by

a progressive dismantling of industrial controls and a selective discarding of the commitment to reduce income inequalities through fiscal and monetary devices. In other words, she has to come out openly in favour of an all-out policy of economic *laissez faire*, gladdening the hearts of the Swatantra Party, the Congress (O) and those in her own party leaning in these directions, in the hope that this would have a miraculous effect on the rate of growth of national output. Or, she would have to dare to decide that a tinkering with the existing system is neither here or there, that what is called for is an out-and-out conversion to socialist economic practices. This would involve a switching of her present political alignments, a further period of confusion in the economic sphere, and a

thorough overhaul of the apparatus of the government. The temptation to opt for the first alternative is overwhelming; for this calls for the least alteration from the existing arrangement. It is for the Prime Minister to judge whether the political risk attendant upon such a total alignment with the right is something she can entertain; if, despite the fundamental shifts in policy, the industrialists and the kulaks are unable to lift the economy from its present depths, the resulting backlash could indeed be severe. On the other hand, the alternative of going the whole hog and making a conscious choice in favour of socialist policies all along the line would necessitate a complete alienation from the big bourgeoisie and the kulaks.

BIHAR

To Fight for Yourself Is 'Naxalite'!

(From a Special Correspondent)

ON May 6, four Harijan farm labourers were killed and 31 others injured when the police opened fire in Chouri, a small village 30 km from the district headquarters at Arrah. According to district officials and the police, those killed and injured were Naxalites. Chouri had allegedly become a hotbed of Naxalites who had created a reign of terror in the area. As the police have made out, almost every house in the village was a miniature ordnance factory. Two landlords were killed last year and, naturally, only the landless could be held responsible for the killing. On April 26, 40 maunds of rice which a trader had purchased from a landlord of Chouri were looted just outside the village. On May 6, when a police party went to search the village for the looted rice, it was allegedly attacked by armed Naxalite guerillas. The encounter lasted eight hours, during which the four deaths occurred and the 31 others injured. The extremists had even built a bunker on the outskirts of the village — obviously as part of their plan to give pitched battle to the forces of law and order.

The battle over, the District Magistrate visited the scene of the foiled crime and that evening proceeded to ring up the Patna dailies and the correspondents of news agencies to brief them with the story the police had

furnished. The newspapers and the new agencies faithfully published the official version of the story. On May 15 *Searchlight* carried a 'special report' with photographs of the impressive 'armoury' — two crackers, one or two home-made pipeguns, and some lathi spears and wood-cutting implements — and the famed 'bunker' with the 'brave District Superintendent of Police, who fought the 'eight-hour battle', standing next to it.

However, leaders of political parties, MPs, MLAs and journalists who visited the village had a totally different story to tell. According to them, what was carried out at Chouri was no less than the gruesome murder of four young men at the instance of the landlord to suppress the workers' agitation for higher wages. The suggestion that the workers were Naxalites was intended to shield the real culprits.

The following is an account of the tragedy as it was reported by a group which included Minister Ramjayappa Singh, Socialist leader Ramanand Tiwary, Congress MPs Baliram Bhagat S D Singh and Sadhu Ram, CPI MP Yogendra Sharma, Suraj Prasad, Ram avatar Shastri, Kamala Mishra Madhu kar and Bhola Prasad, CPI MLAs Sant Prasad, Ambika Prasad, Raj Kishor Singh, Nareish Das and Chaturman Mishra, Congress MLA Rajdeo Singh, SSI

leader Karpoori Thakur, opposition Congress MLA Mahavir Paswan, and Chandra Mohan Mishra, special correspondent of *Patriot*.

BACKGROUND OF TROUBLE

Chouri village has about 200 families. Of these, about 25 Bhumi-har families own more than 500 acres of well-irrigated and fertile land. The remaining 175 Harijan and backward-class families have less than 100 acres of land.

Economic disparities in the village have become more marked due to the improved farming methods adopted by the landlords. While the landlords have become richer over the past few years, the wages of the farm workers have remained low and unchanged. Thirty years ago, agricultural labourers used to get two kg of paddy for a 10-hour work-day, and they get the same today. They used to be given 17 'kathas' of land for cultivation for themselves — which of course, also bound them to the particular landlords; now, when productivity has increased, they are given only 12 'kathas'. Loans have always been made on hard terms: the rate of interest charged by landlords was 60 per cent per annum and for every maund of rice loaned to them, the landless had to return two and a half maunds of paddy within four months.

Resentment against such exploitation was growing. During this year's rabi harvest, the landlords wanted the farm workers to harvest the crop during the nights. Night harvesting of rabi is known to reduce wastage to a great extent. The workers wanted higher wages, but this was unacceptable to the landlords who started to threaten the workers. The workers were firm and the harvest was delayed by a few days. Ultimately, the landlords, with the help of some outside labour and some of the less firm among the farm workers, completed the harvesting and threshing. But the tension persisted.

On May 6, a police party of 17 — nine armed policemen and eight policemen with lathis —, headed by an inspector, reached Chouri in the early morning, purportedly to search the houses of the Harijan labourers for looted grain. Accompanied by the landlords, the police party entered the houses of the landless. They allegedly began to beat up and terrorise the workers. According to the police, the villagers put up resistance and forced the police

party to the main road about 200 yards away. No one attacked them there. The police sent for reinforcements from Arrah. Reinforcements — comprising two deputy superintendents of police, heading a party of 17 armed and nine lathi-wielding policemen — arrived at about 10.45 a.m. The reinforced police force entered the village.

Raghubans Sao, a teacher in the local primary school, was beaten up and arrested. Three others — Bhimal, Ganesh, and Lal Mohar — who had taken shelter in Sao's house were attacked by bomb-carrying landlords who were accompanying the police party. Splinters of these bombs hit a police officer too. The three men, though injured, tried to escape but were mowed down by police bullets. As they fell, according to some of the women who were eye-witnesses, the landlords ran up and dragged them by their feet, jumped on their chests, and killed them. Twenty-year old Lal Mohar, who had been working as a driver in Assam and who had returned home last March after three or four years away, was dragged to the house of a landlord. He is alleged to have been killed while his mother's cries rent the air. Dinanath's mother stated that the landlords broke open the front door of her house, dragged out her son and killed him on the spot.

WANTON FABRICATION

That the story of a 'police-Naxalite encounter' is a fabricated version of what actually happened becomes clear from the following.

According to the police, the Naxalites had murdered two landlords — Ramnath Rai on November 29 last year and 70-year-old Karu Rai on April 9. Both murders, however, seem to have been the results of family feuds which are common in Bihar. What is intriguing is that Ramnath's murder was not reported to the police, but was hushed up by the landlords themselves. Karu's murder may have benefited his relatives; even the police did not register it as a murder by Naxalites. Nevertheless, all of a sudden, on May 6, it was claimed that these murders were committed by the village people — allegedly Naxalites.

The two landlords were killed while sleeping in their *khaliha* (place for grain threshing). If there really was a

reign of terror by Naxalites, how did the landlords dare to sleep in the open all alone?

Even the rice-looting incident was not originally registered by the police as an act of the Naxalites. And, though the incident took place on April 26, the police did not go to 'recover' the rice till May — i.e., a gap of eleven days!

It must be remembered, too, that while the police party waited for some 2-3 hours for the arrival of reinforcements from Arrah, no Naxalite 'guerillas' attacked them. Is that credible if the villagers were so organised for violence? The police version, that the workers hurled bombs at the police party, is challenged by the womenfolk of the victims. Anaro Devi told a correspondent of *Conscience*, an Arrah weekly, that "bombs are made in the house of Raghubans *malik*, Ganesh was the victim of bombs thrown by someone from the house of that Bhumi-har *malik*".

APPROPRIATE EXPLANATION

As for the 'bunker', Ramanand Tiwary reported: "I saw the so-called bunker. I don't think that it can be called a bunker of any sort. When I saw it [the very next day of the incident] its mud-roof was still wet. It was a mud structure in which not even one person could stand or lie down properly, not to speak of using it as a bunker. It was such a weak structure that even a child could smash it easily. The more appropriate explanation seems to be that it was a toy-hut built by the village children. It is a common practice among village boys to build small mud structures in mango gardens — where the 'bunker' was found — especially during the summer season".

True to form, the Bihar government has asked the Patna Divisional Commissioner to enquire into the incident, though the officer had been all praise for the police without having himself visited the site. New Delhi is sending some senior Home Ministry officers "to assist the state government in conducting the enquiry". But it will not take over the investigation as "that would amount to interference in a state matter". Indeed it is becoming evident that killing of landless workers — and there has been a wave of such incidents in Bihar — has truly become a "state matter" in the region.

LABOUR

Railway Workers Begin to Organise Themselves

D N

THE rash of partial strikes by various categories of employees and in various divisions of the Railways has its origin in the events immediately following the 1960 strike of Central Government employees. The strikes are also an indication that the Railway employees are recovering from the heavy blows they suffered from the government and from their own leadership.

At least from 1960 onwards the government and the leadership of the two recognised unions (AIRF affiliated to HMS and NFIR affiliated to INTUC) have worked hand-in-hand to keep down the Railway employees. With the territorially far-flung operations of the Railways, the government is in a good position to use one of the classic anti-labour instruments, transfer of workers, in order to break up a strong centre which shows signs of being able to rally and lead workers. In the 1960 strike, the Western Railway Employees' Union (affiliated to AIRF) was one of the strongest units; within the zone, the Bombay division had served as an organising centre. So the leading activists of the union were transferred out of Bombay to remote places. The President of the WREU, Maniben Kara, did nothing to prevent the transfers.

RECOGNISED UNIONS: MAJOR BLOCKS

Since the time of the 1960 strike (except for the brief period in September 1968) the recognised unions have done nothing to organise the railway employees and lead their struggle for tolerable living conditions. They only take personal cases — including those relating to disciplinary action. The membership of the unions has steadily fallen and might now be hardly 10 per cent of the total number of railway workers. However, their position as the 'recognised' union allows them to have a hold over the workers. In all matters the workers have to go through one of the official unions as the Railway authorities continuously refuse to talk with other representatives of workers. The government has been doing everything to help the recognised unions. Union officers are not transferred without union consent. Members of

the managing committees are given passes and special casual leave to attend meetings. Leaders of unions are given air conditioned coach and first-class passes, not only for themselves but for their families as well.

The result of this relationship between the recognised unions and the Railway workers has been a rapid deterioration in the absolute and relative living standards of the workers. Workers in other industries have waged many successful struggles for DA, bonus, etc. These have not led to an improvement in the conditions of workers, but at least it is better than it would have been without their struggles. The result is that while, on the eve of Independence, industrial workers were barely able to match the wage-level of the railwaymen and other government employees, now the wages of railwaymen are very much below those of workers in industry, even of those in government-owned industry. Class IV employees get an average of Rs 263 per month in Mazagon Docks, as against an average of Rs 180 per month in the Railways. The basic wage for railwaymen is higher but the DA is much lower. Similarly, Class III employees of the Railways get much less than junior clerks in industrial establishments.

While their pay is less, the responsibilities of and the risks taken by some Class IV Railway employees like firemen, levermen, keymen, etc., are much greater compared to employees in industries. Firemen have to work long hours, as much as 12 to 14 hours, and their weekly offday is at the discretion of the administration. Station-masters are posted to small wayside stations, where even the most elementary facilities are lacking. In Gandhidham the staff had to wait for the train to come in every day to get water.

REWARD FOR STRIKE-BREAKERS

The deteriorating living standards and oppressive working conditions have increased the militancy of Railway employees. The numerous strikes that have been taking place testify to this. In carrying forward the strike move-

ment, however, the established unions are one of the main blocks. Not only do they work to break strikes, but they are so organised as to prevent the workers from taking control of the unions. The WREU, for example, has a fool-proof system. The President appoints the divisional secretaries who choose the delegates to the meeting which elects the President. Thus, though there have been strikes in every division of the Western Railway and though the WREU has opposed them, Maniben Kara remains the WREU president. The government has, of course, adequately recognised the services of the main strike-breakers. After the 1960 strike, which the INTUC had opposed, Vasavda was given a Padma Bhushan. Maniben Kara was similarly rewarded when she withdrew Western Railway from the 1968 strike, giving floods in Gujarat as the excuse.

To oppose the recognised unions, some general unions, for instance the Western Railway Labour Union and the Southern Railway Employees' Union, have been formed. However, not being recognised unions makes it difficult for them to function.

Faced with the problems of organising all the employees, a possible way to break the recognised unions is to organise category-wise unions. However, such unions can also be quite dangerous, since government could use the unions to spilt the workers and make one section of the workers attack another. It was perhaps realising this, that the Congress also went into organising category-wise unions. Raghunath Singh and Shashi Bhushan have had a hand in some of these unions. In Bombay Congress MLAs and Councillors like H N Trivedi, Jagesh Desai and F M Pinto have played a role. Besides the Congress, the Jan Sangh has also organised category-wise unions. A B Vajpayee was President of one of the Associations.

CATEGORY-WISE UNIONS

These category-wise unions can serve either of two purposes — they can help to break the organisational hold of the recognised unions and release the initiative of the workers, or they can be an instrument for setting one section of workers against another. Which of the two purposes they serve has depended upon the leadership of the associations. All the same, the associations have given some strength to the workers and in places the workers

have thrown off the original leaders and forged their own leadership. A B Vajpayee, for instance, was removed from the presidency of the SMs Association.

The results of these developments have been the numerous partial strikes in many units of the Railways. In September last year the Locomen's Association in Southern Railways went on strike. Their demands were recognition of the union, implementation of the scales recommended by Justice Miyabhoy and an 8-hour working day.

The government replied to this strike by using the Defence of India Rules, which was justified on the basis of drought conditions and the urgent need for moving foodgrains to Kerala. The Railway Minister declared that there was no question of recognition of the Locomen's Association. The strike was called off after a few days.

"MASS ABSENTEEISM"

In April this year, three railway employees from the Ratlam Division (Western Railway) were arrested when they went to present a memorandum to the General Manager. This had been preceded by a strike in the Ratlam diesel workshop. In response to the arrests there was a strike of SMs and ASMs in various divisions. There was also a threat of a strike by SMs and ASMs all over the country.

Since then there has been a 'work to designation' in Eastern Railway, a 'work to rule' in the Godra shed of Western Railway and a strike by Loco Running Staff in Northern and Western Railway. In the last instance there has been no formal strike but "mass absenteeism".

The government immediately invoked the DIR and banned all strikes in the railways for six months. The Railway Minister complained that no notice of the strike been given, nor even any demands submitted. The demands about working hours, etc., however, had been submitted to the Minister, but no appointment for discussing them had been given to the representatives of the All-India Loco Running Staff Association. The demands of the strikers were for a change in working hours and working conditions and for the government to begin talks on these issues.

When the DIR was invoked and strikes banned, the leaders of the strike went underground to avoid arrest. The special strike-breaking force, the Territorial Army, was called in to keep the

trains running. After six days the strike was called off following assurances that there would be no victimisation, that all arrested persons would be released when work was resumed, and that discussions on grievances would be held. The workers thus achieved their main aim of getting the government to talk with them.

GOVERNMENT'S METHODS

The various railway strikes are illustrative of the methods used by government to control the labour movement, which is as yet nowhere near being a revolutionary movement but only a very simple movement for economic demands. In the first place, leaders of recognised unions are the main allies of the government. The recognised unions are being used to break the strike — but so far all their calls have gone unheeded. Peter Alvares of the AIRF has announced a strike from August 27, but no preparations are being made, and it seems unlikely that the strike will come off. Both when leading struggles and when sitting quiet, the methods of the main leaders and the undemocratic structure of the unions gives little room for the workers to express their initiative and establish their control. Further, corruption is normal and union leaders charge money for cases to be taken up.

When these unions refuse to take up any general demands, and the workers take them up through other channels the standard response has been to refuse to discuss them. Thus, even legitimate demands of the workers are completely denied. And workers have to strike in order to force a discussion.

The resulting strike is met by invoking a piece of legislation supposedly meant for the Defence of India. Strikes are banned and the leading workers arrested. There are those who would say that this is a misuse of the DIR, and perhaps even recommend movements inside and outside Parliament to prevent this misuse. The plain truth, however, is that the DIR is not meant for the defence of the people of India but for the defence of the ruling classes of India — both in their relations with neighbouring ruling classes and in their relations with the ruled people of India.

The press and the other instruments of communication mould public opinion against the strike. The plight of the workers is rarely mentioned. All that appear are government handouts, saying that the movement of grains is being affected and that the strikers are

holding the country to ransom. In reality it is the government which, by not acceding to the reasonable demands of the workers, holds them to ransom and forces them to strike.

A part of what is called the Territorial Army has been specially organised in order to break railway strikes. Railwaymen have been induced to join the Territorial Army. Then when a strike breaks out, the military discipline of the TA is invoked to make the railwaymen break their own strikes. As if this is not enough, T A Pai, when he was Railway Minister, envisaged a programme for training unemployed engineering graduates in operating trains — using the reserve army of unemployed against the employed.

POTENTIALLY POWERFUL WEAPONS

The categorywise associations, initially formed by members of the Congress and other such parties, have turned into a powerful instrument in the hands of the workers. In many places the original leaders have been thrown out and workers have taken their place. These associations have by now led a number of strikes. The issues taken up (like working conditions, even recognition) can only be solved at the level of the railways as a whole. The strikes that have taken place should be seen as steps leading to united action. This requires strong regional and divisional units.

There have been attempts to bring all the Associations together. A Confederation of Associations was formed in 1970. But as yet it has little power. Many meetings have taken place, but the unity moves have been sabotaged by the political parties, including the CPI and the CPM. CITU declared that it would not work with AITUC. Even as late as October 1972 the two obstructed a meeting to work out united action. Perhaps, these parties only want unity when it is under their own hegemony. Any other unity is not to their liking.

The strike called for August 27 has given the railway workers a great opportunity. The AIRF has given the call in order to demonstrate that it too is doing something. But this call can be used by the Associations. In the name of supporting the call by the AIRF they can virtually organise the strike on their own. It is then very likely that such a strike will unite all the railwaymen's associations.

Land Grabbers

THE official committee of eight Punjab MLAs, presided over by Harchand Singh (Congress) has listed dozens of "influential persons" who have acquired land through dubious transactions with the connivance of key officials. The Committee, comprising six Congressmen, a CPI legislator and an Akali, submitted its report to the state government early this month. Many of the "land grabbers" have already disposed of the property, netting tidy sums in the process. Among the politicians exposed by the committee are present and former Ministers, ruling party legislators, IAS, PCS and Police officers, including members of Scheduled Castes, two sub-judges and some non-Congress politicians, notably a senior CPM leader. According to the committee's 200-page report, many of the land grabbers have acquired large farms by exploiting their positions and deceiving others. The Committee has also pointed out that some influential persons had bought land in open auctions "because the law was defective"; their responsibility, in the committees' view, was only moral because they had misused their political influence.

Of the scores of instances quoted, some are indeed glaring. Land worth Rs 10,000 at market rates had been bought for Rs 100. The father of a Congress member of the Lok Sabha is stated to have bought 300 acres of surplus evacuee land for Rs 25,000. The subsequent sale of one-third of this land brought him Rs 3 lakhs. Then there is the case of a member of the present Congress Ministry who some years ago bought about 90 acres of land at the reserve price in the names of his wife, a sister-in-law and an employee. Another politician acquired 72 acres of *banjar* (barren) land very cheaply in his wife's name. Another influential person has built up a 275-acre farm which is the envy of many.

Several civil servants have followed the example of their scheming bosses and are in unauthorised occupation of evacuee land. What is more, some have not made any payment at all to the state government and not paid even the penal rent which formerly was eight times the land revenue and is now 20 times. There are greedy police officers, too. A Deputy Superintendent of Police is stated to have illegally established a 300-acre farm.

Another DSP has likewise set up a 100-acre farm. A senior office-bearer of the state Congress bought evacuee land for Rs 4,000, although he was not entitled to it. Soon after he sold it for Rs 40,000, well before the expiry of the prescribed 10-year period. A PCS officer has a 123-acre farm, another a 125-acre one; and yet another bought a 55-acre farm for barely Rs 8,000. A magistrate has set up a 190-acre farm which he bought at a rigged auction for Rs 21,000; a colleague of his purchased a 61-acre farm at a similar auction for Rs 6,000.

Several political parties have demanded speedy action to reverse these shady land deals. The Deputy Leader of the Assembly Akali Party has sought a high-powered, all-party body of MLAs to ensure implementation of the committee's recommendations so that the grabbed land may be recovered and distributed among members of the Scheduled Castes. At a press conference on June 8, Chief Minister Zail Singh assured "proper action in the matter, irrespective of the status of the people involved". But the indications are that, despite all the loud talk of socialism and economic justice, most of the culprits will not be proceeded against on one ground or another.

Another issue that has gripped public attention in recent weeks concerns the share of Harijans and other backward classes in the Punjab government services. Harijans and backward classes form about 27 per cent of the states' population and their goodwill is vital to the ruling party. To counter the campaign recently launched by some Harijan leaders against the Congress ministry for failing to give them their due, the Chief Minister announced on June 3 the revival of the scheme to reserve a quota of Class I and Class II posts for Scheduled Caste employees. The proposal was originally accepted in 1963-64, but was shelved in 1966. The unstable ministries which were formed in the succeeding years made no effort to implement it.

Preferential treatment of Scheduled Castes in appointments and promotions not only involves sacrifice of merit but also leads to anomalous situations that cause considerable heart-

burning among employees whose claims are bypassed. The existing practice has led to an interesting controversy. Punjab's high-powered Committee on Scheduled Castes' Welfare has unanimously urged the government to reserve for Harijans 10 per cent of the posts in promotions in Class I and II services. The Committee, headed by the Chief Minister himself, has also sought reservations in semi-government bodies, aided schools, colleges, universities and local bodies. To counteract this partiality, the Punjab Non-Scheduled Castes Welfare Association has demanded the appointment of another committee to examine its plea for reservations in government services on the basis of "economic backwardness" rather than on caste considerations. Many Harijans now belong to the higher income group but continue to enjoy the concessions designed for the poorest category.

"If the privileges of the princes can be abolished," the Association has pointed out, "then why not remove the well-to-do people among the Harijans from lists of people who are at present entitled to concessions and reservations?" The Association intends to submit a memorandum, to be signed by one lakh government servants, urging abolition of reservations for Scheduled Castes. Members of the Association are especially critical of the system of promotion on a caste basis. If any preferences and concessions have to be given, the Association president has said, they should be available to anyone earning less than Rs 300 per month.

Himachal Pradesh has also taken up the question of accommodating more members of the Scheduled Castes and other backward classes in government services to keep them contented. A special cell has been created in the Personnel Department to ensure adequate representation to these classes. No vacancies reserved for them are to be "de-reserved" without the Chief Minister's permission. The reservations have not been confined to initial recruitment but have been extended to promotions for non-selection posts. To give a fair opportunity to all backward classes, their candidates are being assessed by different standards. Performance at the university level, an official spokesman said in Simla the other day, could not be made the sole criterion; otherwise the appointment of selection bodies and boards would become irrelevant.

The Peace Protocol

AFTER the recent spurt of sanguinary clashes claiming more than a dozen lives, including that of a sitting MLA (a former Minister), a 22-point protocol for inner-party peace has been signed by 31 faction-chiefs of the Congress and their mediators. The apparently smooth passage of the protocol's formidable list *dos* and *don'ts*, through the motley crowd of state Congress bosses, senior ministers, and their young henchmen, was obviously clinched by New Delhi's firm threat that President's rule would be imposed if there was continued deterioration in the intra-Congress situation. At the same time, the ground for a partial defusing of the tension had been prepared by some subtle manoeuvre — such as the Chief Minister's cultivation of his cabinet colleague, Tarun Kanti Ghosh.

It is no secret that the patronage and resources of Ghosh, who has been nursing aspirations for the top position in the West Bengal government and has grievances against Ray for being cold-shouldered by him, were the mainstay of the principal line-up of challengers to the Priya Das Munshi-Subrata Mukherji axis. Ghosh's recent softening towards Subrata Mukherji and a corresponding public posture of partial disinvolvement with the rival faction of Lakshmi Kanta Bose, Somen Mitra etc, considerably cramped the style of the latter. As a result, the dissidents, unable to press home their hard-won advantage at the critical moment, had to climb down from their demand of ousting Subrata Mukherji from the Home (Police) Department and to agree to the compromise.

NO MORE THAN A RESPITE

While the omnibus agreement may lead to an immediate easing of intra-Congress tensions, long-term prospects do not appear to be at all bright. As admitted officially by the Chief Minister and the state Congress chief, the recent flare-up of violence in the party was inspired not by ideological or political differences, but by considerations of personal profit and career. This inevitably means a constant struggle for changing the inner-party power equation and its reflection at the government level — in defiance of all codes of conduct, however nobly worded.

What immensely complicates the

situation in West Bengal is the proliferation of the armed gangs, pampered and encouraged by the tallest of the Congress leaders in the course of their struggles against the militant Left. The same dark forces of the underworld, courted by the various Congress contestants for power and position, have acquired a certain autonomy of their own and the tail is threatening to wag the dog. In the present context, "anti-social elements", as a leading Calcutta newspaper sharply pointed out, "have had and will continue to have a political role to play. They have become almost an inseparable part of the system and cannot be got rid of without the party getting seriously hurt in the process" (*The Statesman*, June 9, 1973).

NO AMNESTY

Only a few days ago, the Commerce and Industry Minister, Tarun Kanti Ghosh, had publicly mooted the suggestion that Congressmen should surrender their (unlicensed) arms. Not only did the suggestion fail to evoke a favourable response from any Congress quarters, but the Minister of State in the Home (Police) Department, Subrata Mukherji, virtually scotched the suggestion by declaring that there would be no amnesty for those surrendering their arms!

A further factor that has a bearing on the law and order situation in the state, is the involvement of a section of the higher levels of the police in the Congress party's faction-fights. As the *Hindustan Standard*, which cannot be accused of harbouring anti-Congress sentiments, recently wrote editorially: "The police become inactive when the administration stops being impartial. If the police in this state are behaving like passive onlookers, the fault lies not with policemen but with those leaders of the ruling party who are trying to bend them to the will of one warring faction or another... There cannot be any rule of law in a situation in which even the police are under pressure not to abide by the law but to act as dictated by the faction leaders."

It would be naive in the circumstances to expect anything more than a temporary lull in the wave of violence that had engulfed the ruling party in the past few weeks.

The 'political' dimensions of the law and order situation in West Bengal were recently highlighted by the stricture, passed by a Presidency Magistrate in Calcutta, on the conduct of the official prosecution. When the aged Forward Bloc leader, Hemmanta Kumar Basu, was murdered in broad daylight in North Calcutta in February 1971, Siddhartha Shankar Ray and the present Inspector-General of Police (then Police Commissioner of Calcutta) had instantly ascribed the crime to the CPI(M). The young man who was subsequently arrested and sent up for trial for the crime could not be associated with the CPI(M) by any means. The Left Press, in fact, identified the accused with the Congress. After months of procrastination, the Director of Public Prosecution, West Bengal, submitted to the trying magistrate that "there was no witness to identify the accused and no useful purpose would be served by proceeding with the case". After this had led to a considerable hue and cry in the Left Press, the Director of Public Prosecution sought to withdraw the application.

"EXTREME INDECISION"

The magistrate criticised the "extreme indecision" displayed by the prosecution and observed:

"I have carefully gone through the case diary and as a result I am of the definite opinion that, for the interest of the prosecution as well as of the accused, the committal enquiry should, be disposed of by examining the witnesses of the occurrence and not otherwise. I, therefore, reject both the petitions filed by the prosecution."

At the subsequent hearing of the case, an application was moved on behalf of the Forward Bloc Secretary for permission to allow the party to appoint an advocate to assist the prosecution. The Forward Bloc leader's arguments were that "the case was not properly investigated by the police. He apprehended that the case would not be properly conducted and that for the fair conduct of the case, he was praying for permission of the court to engage a lawyer to conduct the prosecution case as per provision of law under Section 495 of the Criminal Procedure Code."

No Time to Play It Cool

Magnus

THE Department of Mines, under the Ministry of Steel and Mines, has been in the news quite often during the past two years for its 'takeover' activities. Its Report for 1972-73 is however a dull document compared to its predecessor. The Department of Mines, like All India Radio, seems to believe firmly that what is due to happen in future (particularly in government agencies) is much more newsworthy than what has happened in the recent past. Its Report thus serves up a curious mixture of facts, fallacies and predictions. Data on actual performance are presented along with figures abstracted from reports of the Fuel Policy Committee, various Task Forces and the Plans; to these is added some plain wishful thinking. To take the example of coal; output is reported to have increased from 72 mn to 75 mn tonnes, and the target for the current year is given as 80 mn tonnes. The Task Force set up by the Planning Commission estimates the demand for 1978-79 as 143 mn tonnes. Ergo, the Ministry comes up with a quick breakdown of how the four public sector companies would boost their production (not merely capacity) from 72 mn to 143 mn tonnes in the next four years. It would be a miracle, and one wishes them the best of luck.

While on the subject of coal, it would appear opportune to wind up both the Coal Board and the Coal controller's office. The former deals with safety and conservation measures and provided subsidies to the many coal mines which used sand-stowing. The Coal Controller was meant to ensure equitable distribution of coking and blendable coal, and to subsidise rail-cum-sea despatches of coal. Now that all coal mines are owned by the government, the subsidies granted to, and special cesses collected from, various producers can both be withdrawn. Bharat Coking Coal in particular was formed to ensure conservation and proper extraction of coking coal reserves, and may be expected to carry out the two organisations' tasks jointly with NCDC. If this reduces the number of cushy jobs going, so much the better.

Iron-ore too has a lot of headway to make in the next five years. Its production has to go up from the present 34 mn tonnes (exports 21 mn tonnes) to 65 mn tonnes (exports 35 mn tonnes).

The National Mineral Development Corporation has shown a slight drop in production for the third successive year, to 4.3 mn tonnes. At Bailadilla, its producing mine as well as a newly-developing mine are reported to be in difficulties which are admittedly the result of faulty planning. Throughout the section on NMDC, there is again no mention of such matters as income, expenditure or profits: either these do not matter, or the NMDC is modifying its accounts procedures for over two years. An Iron Ore Board with a full-time Chairman and five full-time Members was formed in January 1973 to act as the "policy planning and developmental agency, draw up perspective plans... etc". This must intrigue people in the Steel Authority of India who were gearing up to do the same job.

The section on copper, lead and zinc is mostly routine. Hindustan Copper reactivated the old reverberatory furnace of Indian Copper Corporation so as to increase the available smelting capacity to 26,000 tonnes per year. At Khetri, the new smelter may be commissioned by December 1973, thus adding 31,000 tons smelting capacity. Nobody seems to be talking of how to feed this massive copper capacity of 57,000 tons per year, and how long it will take to build up the necessary ore output of nearly 18,000 tons per day. Hindustan Zinc's zinc smelter produced nearly 25 per cent less metal than in the previous year, and this year has also started badly due to frequent power failures. The Company has entered into technical consultancy agreements with French, West German, Polish, British and US Companies. Don't they know that Sweden and

Canada also have flourishing zinc mines?

The Gold mines in Kolar were reinstated as a Company in April 1972, and placed under charge of a former Professor of Mining. The terms are that KGF will supply gold to the Centre at IMF prices, and would receive central assistance not exceeding Rs 4 crores per year. The production cost is a little in excess of Rs 310 per 10 gm, which means that the mines are economically viable at today's market gold price. The effect on smuggling operations of selling in the market about 20 lakh gm gold per year is worth examining, apart from savings of Rs 4 crores per year to the Centre. There is no mention of the Hutti Gold Mines, which also produce substantial quantities of gold for sale in the open market.

The Department itself has undergone some changes; NMDC, BCCL and Manganese Ore India now function as subsidiaries of the Steel Authority under the Department of Steel. In spite of losing these major subsidiaries, only three out of 17 senior officers were transferred to the Department of Steel. The Ministry's Chief Technical Adviser, Chari, recently took over as Secretary to government in the same Ministry. His two former assistants comprise the Technical Cell, which "advises on all technical matters relating to mining and metallurgical projects, scrutinises and evaluates feasibility and project reports, monitors progress... and assists in planning and programming of projects". Sounds like an awful lot of work for two persons. There is indeed an awful lot of work to be done in the minerals field in the next decade, particularly in the matter of raw materials to feed the steel and cement industries. (The little-mentioned limestone quarries will have to deliver a staggering 53 mn tonnes by 1978.) The Department seems to be playing it cool when it is really time to do the opposite.

SUBSCRIPTION RATES

	Inland	Foreign (surface mail)
6 months	Rs 40	
1 year	Rs 75	Rs 110
2 years	Rs 140	Rs 210
3 years	Rs 200	Rs 305

Concessional Rates for Teachers and Students

6 months	Rs 18
1 year	Rs 35
2 years	Rs 60
3 years	Rs 80

Concessional rates are not applicable to students and teachers outside India

SOUTH

Journey from Dindigul

WHEN the Anna DMK was formed there were many political commentators who sneered at it all. They could not even imagine that shifts in political loyalty do not always manifest themselves in a clear-cut manner in a country where political articulation is still in a medium state of development.

The resounding success of the ADMK candidate in Dindigul indicates that a decisive shift has taken place in Tamil Nadu's politics. The DMK mass has moved over and moved over to more radical positions. It is not mainly a negative vote and it is certainly not a vote for a personality, though M G Ramachandran certainly exercises a tremendous pull. But had the same MGR stuck on in the DMK he would not have become the symbol of the desire for a thrust to the Left as he now has. His personal popularity has become an important political factor because of the political stand that he has taken and the constellation of political forces that he has brought into being by his challenge to Karunanidhi.

The vote against the DMK was a vote against all that the DMK had been doing in the past few years. The failure to implement its programme, the attack on organised labour, the letting loose of a private-army of hired hoodlums, the discovery of the 'vices' of the USA, etc — all this was a definite departure from the earlier radical promise of that party. And yet the radical protest against this deviation had its limitations. The mass through its experience had not learnt to trust any alternative. They wanted change, as so often happens, by a return to the past. This had happened with the Congress in 1969-72. It has happened again with the DMK in 1972.

The whole point was to understand this process in order to be able to intervene and influence it; to take the new thrust to radicalism as it was and not as it ought to have been. Anybody who has taken the trouble to go to the mass meetings organised by the ADMK or to talk to the young men and women who followed MGR would have realised the vitality and the potential of this new phenomenon. After all, if it was only a vote against whoever happened to be in power, there was Kamaraj to turn to. Quite the opposite, however, happened. Some who had been following the rather unusual Syndicate leader turned to the ADMK. Thus, not only

was the DMK severely punished but the Right also received a sharp setback.

The Congress debacle was totally deserved, though it is doubtful if the proper lessons are being drawn by the state Congress leaders as well as some of their mentors in the High Command. The Congress does have a place in the politics of Tamil Nadu and, because of the all-India picture, quite an important place but it is not the most important or dominant place. It will have to be content to play second or third fiddle in this state. That is all it can play. That is what it should play if it has any concern for the survival and forward movement of the country. There are some in the Congress who are of the view that it would be possible to inveigle Kamaraj back and that then the Congress would be able to stand on its own feet. But such a rapprochement could only take place on the basis of a significant turn of the Congress itself to the Right, a continuation or resumption of the strategy that was tried on an all-India scale in 1972 with quite disastrous results for the Congress.

A most encouraging development has been the decision of the CPM to join the ADMK-CPI alliance. It is all to the good that Ramamurti and some of the state leaders of the CPM were able to overcome the resistance of some of the more sectarian and opportunist sections in their own party and decide to go in for the alliance. There was a trend in the CPM which was of the view that the Congress being the main enemy and the ADMK-CPI alliance not being anti-Congress the best course would be to try for some kind of understanding, if not alliance, with the DMK and the Congress(O). This, it was felt, would represent a force that would be able to effectively challenge Indira Gandhi from Tamil Nadu and become a part of the "gherao Centre" movement which both the Grand Alliance and the CPM envisage as the best means of ending Congress rule. That this tactical line has been rejected at least for the time being is all to the good. After all, the CPM does have a mass base among sections of the working class and agricultural labourers and its swinging into the ADMK-CPI alliance would help to bring a better class content into the alliance. Of course, Ramamurti and some other CPM leaders try to explain their present tactical line on the basis that since the ADMK did not have an under-

standing with the Congress there was no difficulty in working with it. But this is a far from satisfactory explanation. After all, it was not as if the ADMK had rejected the overtures of the Congress. Exactly the opposite happened — the Congress decided to go it alone. Further, immediately after the election results were announced MGR declared that he did not consider the result to be a verdict against the Prime Minister and that he wished to seek her co-operation as also that of her party. Neither anti-Congress nor anti-Centre tones were to be discerned in this most politic statement.

It would be all to the good if the CPM threw its whole weight behind the demand for the removal of Karunanidhi and sat down with the ADMK, CPI as well as the Congress (if the latter is wise enough to shed its utopian hopes) to work out a programme for Left and democratic advance in Tamil Nadu. This would provide it with fresh experience and facilitate its return to the mainstream of the Left and democratic movement in the country.

Dindigul has opened up fresh prospects in Tamil Nadu. The journey that has begun there can lead to the consummation of the process that began with the DMK victory in 1967 and which continued with that party opposing the plans of Right reaction to take over the Congress in 1969-71. The deviation from that course effected by Karunanidhi has led to his isolation and then the Dindigul debacle. Tamil Nadu is Kerala's neighbour. It has begun or rather resumed the journey to becoming its comrade with, of course, its own very specific identity.

Kothari Sugars

KOTHARI Sugar and Chemicals expects to crush about two lakh tonnes of sugarcane with an average recovery of about 9 per cent during the year ending August 1973. On this basis, the company should be able to earn a profit of Rs 40-50 lakhs and pay a dividend of 10 per cent on the increased capital of Rs 160 lakhs. The new factory being put up at Siruguppa, with a crushing capacity of 2,000 tonnes per day at a cost of Rs 3.9 crores, is expected to be commissioned in December next. According to H C Kothari, a director, the company should be able to step up dividend to 15 per cent for 1974-75. Steps have been taken to enlarge the crushing capacity of the Kattur factory to 2,200 tonnes. In addition, it is intended to set up a distillery at Kattur or Siruguppa and also a milk powder plant at Kattur.



THIS IS ONLY AN ANNOUNCEMENT AND NOT A PROSPECTUS

Announcement regarding the issue of 5,00,000 Equity Shares of Rs. 10 each and offer for sale of 1,00,000 fully paid up Equity Shares of Rs. 10 each, both at a premium of Rs. 20 per share. Persons interested in full details may obtain copies of the Prospectus and Application Forms from the Managing Brokers, Brokers, Underwriters and Bankers to the Issue mentioned hereunder. The subscription list will open at the commencement of banking hours on Monday, June 25, 1973 and close at the close of banking hours on Wednesday, July 4, 1973 or earlier at the discretion of the Directors, but not before the close of banking hours on Wednesday, June 27, 1973.

An application has been made to the Calcutta Stock Exchange for permission to deal in and for an official quotation for the Equity Shares of the Company.

Bata India Limited

(Incorporated on December 23, 1931 under the Indian Companies Act, 1913)
Registered Office : 30 Shakespeare Sarani, Calcutta-700017.

HISTORY, ACTIVITIES AND OBJECTS OF THE ISSUE :

The Company was incorporated under the name of Bata Shoe Company Limited on December 23, 1931. Pursuant to the requirements of the Companies Act, 1956, the Company's name became Bata Shoe Company Private Limited in April 1956. The Company became a Public Company on April 7, 1973 and its name was changed to BATA INDIA LIMITED. The objects of the Company are fully set out in the Memorandum of Association and in particular to carry on business as boots and shoes manufacturers, dealers in hides and skins, manufacturers of and dealers in rubber goods, footwear machinery and carry on business as tanners.

Starting the first production of Rubber and Canvas shoes in India in its rented premises in Konnagar, near Calcutta, in 1931, BATA-INDIA set up its factory in Batanagar—the "TOWN OF GOOD SHOES" (near Calcutta)—where production of Leather Footwear started in 1936. Tanning was introduced in Batanagar in 1937 and a Rubber Collecting Station established in Kottayam, Kerala in 1939. A Machinery Department (now a full-fledged Engineering Division) was established in Batanagar, which produced the first India-made major shoe machine in 1942. Simultaneously—Chemical, Research and Auxiliary Departments were set up to cover operational needs and to meet deficiencies arising out of import restrictions and non-availability of materials and equipment. The growing demand for the Company's products called for substantial increase in its output and the Company embarked on its expansion programme. A Leather production unit was established in Bataganj, near Patna in 1942; a Rubber and Textile production unit was started in Faridabad, Haryana in 1951; and the country's most up-to-date Tannery was set up in Mokamehghat, Bihar in 1952.

BATA-INDIA thus grew to be a great industrial complex, which it is today—employing over 22,000 people in its factories and sales network and still aspiring to meet the evergrowing demand for a very wide range of products. Today the Bata plants produce 4.5 crore pairs of footwear annually. The Company assists the footwear manufacturers in the small-scale sector by providing them training facilities, technical know-how and marketing. The Company is a major supplier of footwear to the Armed Forces and is also the leading exporter of footwear in India—earning over 4 crores of rupees annually in hard currency foreign exchange. With rapid industrialisation of the country and self-sufficiency in food, shoe wearing habits are bound to grow both in the urban and rural areas. The Company also expects to make steady progress in its exports as heretofore.

With a view to introducing Indian participation in the Company's shareholding, negotiations were started with the Government of India and the Government has given its approval to an issue of 5 lacs new shares as well as a sale by the existing shareholders of 4 lacs shares to the Life Insurance Corporation of India and the Unit Trust of India and a further one lac shares for sale to the public, all at a premium of Rs. 20 per share of Rs. 10 each.

The object of the issue of new equity shares and offer for sale of five lacs existing shares is to implement the scheme approved by the Controller of Capital Issues for Indian participation in the Share Capital of the Company. The issue of the new equity shares will also result in augmenting the financial resources of the Company.

BOARD OF DIRECTORS :

JOSEF VYORAL
70 Montclair Avenue,
Toronto 10, Ontario, Canada.
Chairman

PETER ZDENEK BALDIK
5 Mayfair, Calcutta-700019.
Managing Director

PRAMOD KUMAR NANDA
16 Belvedere Road,
Calcutta-700027

Other Directorships.
Bata Industries Ltd.—President
Batawa, Canada.
Bata Virgin Islands Inc.—President
St. Thomas, Virgin Islands (U.S.A.)
and Others.

The Metal Box Co. of India Ltd.
—Managing Director
Kosmek Plastics Manufacturing Ltd.
—Chairman
Security Printers of India Pvt. Ltd.

KARUNA KANT DUTT
55 Karaya Road,
Calcutta-700019.

JOHN NEHOSLAV BEK
3 Mayfair, Calcutta-700019.
ANIL MOHAN BANERJEE
9/B Abdul Rasul Avenue,
Calcutta-700026.

PRINCIPAL ADVISER :
MOTI LALL KHAITAN
99A Rajpur Road, Dehradun.

SECRETARY :
JAGDISH SINGH GOPAL
27 Lansdowne Court,
5 Sarat Bose Road, Calcutta-700020

SOLICITORS
KHAITAN & CO., 1B Old Post Office Street, Calcutta-700001.

AUDITORS
S. R. BATLIBOI & CO., Chartered Accountants,
36 Ganesh Chandra Avenue, Calcutta-700013.

BANKERS TO THE COMPANY
STATE BANK OF INDIA, 1, Strand Road, Calcutta-700001

SHARE CAPITAL :
Authorised
30,00,000 Equity Shares of Rs. 10 each **Rs. 3,00,00,000**
Issued, subscribed and fully paid up
25,00,000 Equity Shares of Rs. 10 each **Rs. 2,50,00,000**
TOTAL OF PRESENT ISSUE AND OFFER FOR SALE
6,00,000 Equity Shares of Rs. 10 each **Rs. 60,00,000**

PRESENT ISSUE OFFERED FOR PUBLIC SUBSCRIPTION
FOR CASH IN TERMS OF THE PROSPECTUS
5,00,000 Equity Shares of Rs. 10 each at a premium of Rs. 20 per share. **Rs. 50,00,000**

Terms of payment
On application **Rs. 15 per share** (Rs. 5 on capital account and Rs. 10 on premium account)
On allotment **Rs. 15 per share** (Rs. 5 on capital account and Rs. 10 on premium account)
Rs. 30 per share

NOTE : Any portion of the amount paid on application refundable on allotment will be adjusted towards the amount payable on allotment of shares actually allotted to the applicants concerned. Failure to pay the amount due on allotment will render the shares, including the amount already paid up on them, liable to forfeiture.

PRESENT OFFER FOR SALE BY MESSRS. LEADER A. G.:
1,00,000 Equity Shares of Rs. 10 each fully paid up at a premium of Rs. 20 per share. **Rs. 10,00,000**

Terms of payment :
On application **Rs. 15 per share**
On acceptance **Rs. 15 per share**
Rs. 30 per share

NOTE : Any portion of the amount paid on application refundable on acceptance will be adjusted towards the amount payable on acceptance of shares.

Failure to pay the amount due on acceptance will render it liable to cancellation by the Offeror.

Messrs. Leader A. G. (referred to in the Prospectus as the Offeror) have agreed to offer for sale to the Indian public out of their present holding 1,00,000 Equity Shares of Rs. 10 each fully paid up in the Share Capital of the Company and have irrevocably constituted the Company as their Attorney for the sale thereof. The Company will accordingly act only as the Attorney of the Offeror in connection with the sale referred to above, and the net sale proceeds received by the Company (that is to say, after payment of the necessary underwriting commission, brokerage, stamp duty and other charges) will, subject to the terms of the sanction of the Reserve Bank of

Place, Siddons & Gough (P) Ltd.
—Managing Director.
British Paints (India) Ltd.
Molins of India Ltd. and Others

India, be paid to the Offeror or will be disposed of in accordance with their instructions and the Company will not receive any remuneration, compensation or other benefit in respect of this sale of shares. In the premises the Company, as the Attorney of the Offeror, offers the said 1,00,000 fully paid up Equity Shares for sale to the Indian public on the terms of the Prospectus which are the same as those for the 5,00,000 new Equity Shares of Rs. 10 each offered for public subscription.

UNDERWRITERS :

The entire issue of 6,00,000 shares (being the total of the shares issued by the Company and offered for sale) has been underwritten as follows :—

Name of Underwriter	Nominal value of Shares underwritten
PLACE, SIDDONS & GOUGH (P) LTD., Calcutta	Rs. 16,00,000
NATIONAL AND GRINDLAYS BANK LTD., Calcutta	3,50,000
STEWART & CO., Calcutta	3,00,000
BRIJNATH KHANDELWAL & CO., Calcutta	1,50,000
G. M. BOSU, Calcutta	1,00,000
MURARKA BROS., Calcutta	1,00,000
N. L. ROY & CO., Calcutta	1,00,000
DAYCO, Calcutta	1,00,000
BHUPENDRA CHAMPKALAL DEVIDAS, Bombay	2,50,000
HARKISONDASS LUKHMIDASS, Bombay	2,50,000
MERWANJEE BOMANJEE DALAL, Bombay	2,50,000
CHIMANLAL J. DALAL & CO., Bombay	1,50,000
BATLIVALA & KARANI, Bombay	1,00,000
D. S. PURBHOODAS & CO., Bombay	1,00,000
JAMNADAS MORARJEE & CO., Bombay	1,00,000
L. K. PANDAY, Bombay	1,00,000
AMRITLAL BAJAJ & CO., New Delhi	3,50,000
H. P. MEHTA & CO., New Delhi	3,50,000
BHARAT BHUSAN & CO., New Delhi	2,00,000
HARBANS SINGH MEHTA & CO., New Delhi	2,00,000
VINOD KUMAR & CO., New Delhi	2,00,000
RAJA RAM BHASIN & CO., New Delhi	1,00,000
J. C. MEHTA, New Delhi	1,00,000
JALAN & CO., New Delhi	1,00,000
BEHARILAL & CO., New Delhi	1,00,000
PATERSON & CO., Madras	1,00,000
M. NANJAPPAIAH JAHGIRDAR, Bangalore	1,00,000
TOTAL	Rs. 60,00,000

MANAGING BROKERS :

PLACE, SIDDONS & GOUGH PRIVATE LIMITED,
6 Lyons Range, Calcutta-700001.

BROKERS :

Calcutta :
PLACE, SIDDONS & GOUGH (P) LTD., 6 Lyons Range, Calcutta-700001.
N. L. ROY & CO., 7 Lyons Range, Calcutta-700001.
STEWART & CO., 14 India Exchange Place, Calcutta-700001.
G. M. BOSU, 7 Lyons Range, Calcutta-700001.
BRIJNATH KHANDELWAL & CO., 13 India Exchange Place, Calcutta-700001.
RAMNARAIN KAYAN & CO., 7 Lyons Range, Calcutta-700001.
MURARKA BROS., 7 Lyons Range, Calcutta-700001.
DAYCO, 7 Lyons Range, 3rd Floor, Room No. 11, Calcutta-700001.

Bombay :
BHUPENDRA CHAMPKALAL DEVIDAS, Bhupen Chambers, Dalal Street, Fort, Bombay-1.
BATLIVALA & KARANI, Union Bank Building, Dalal Street, Fort, Bombay-1.
HARKISONDASS LUKHMIDASS, Stock Exchange Bldg., 5th Floor, Apollo Street, Fort, Bombay-1.

MERWANJEE BOMANJEE DALAL, Allahabad Bank Bldg., Apollo Street, Fort, Bombay-1.

CHIMANLAL J. DALAL & CO., 107 Stock Exchange New Bldg., Dalal Street, Fort, Bombay-1.

D. S. PURBHOODAS & CO., Stock Exchange Bldg., Apollo Street, Fort, Bombay-1.

JAMNADAS MORARJEE & CO., 5A Hamam Street, First Floor, Bombay-1.

L. K. PANDAY, Bank of Maharashtra Bldg., 45/47 Apollo Street, Bombay-1.

Delhi :
HARBANS SINGH MEHTA & CO., 33 Regal Bldg., Parliament Street, New Delhi-1.

BHARAT BHUSAN & CO., H-45 Connaught Place, New Delhi-1.

AMRITLAL BAJAJ & CO., United India Life Bldg., "F" Block, Connaught Place, New Delhi-1.

J. C. MEHTA, 44 Delhi Stock Exchange Bldg., Asaf Ali Road, New Delhi-1.

RAJA RAM BHASIN & CO., Jewan Mansion, 8/4 Desh Bandhu Gupta Road, New Delhi-55.

H. P. MEHTA, Surya Kiran, 3rd Floor, Kasturba Gandhi Marg, New Delhi-1.

VINOD KUMAR & CO., A-6 Connaught Place, New Delhi-1.

JALAN & CO., Stock Exchange Building, Asaf Ali Road, New Delhi-1.

BEHARILAL & CO., Stock Exchange Bldg., Asaf Ali Road, New Delhi-1.

Madras :
PATERSON & CO., Vanguard House, (3rd Floor), 11/12 Second Line Beach, Madras-1.

CHITRA & CO., 322/323 Linghi Chetty Street, Madras-1.

Bangalore :
M. NANJAPPAIAH JAHGIRDAR, 205 Cavalry Road, Bangalore-1.

VIJAY & CO., 9 Eleventh Main Road, Malleswaram, Bangalore-3.

Hyderabad :
P. B. AFJULPURKAR, Sultan Bazar, Hyderabad, (A.P.).

Indore :
PUSHKARLAL GHUDAWALA, 44 Bada Sarafa, Indore-2.

Ahmedabad :
CHINUBHAI CHIMANLAL DALAL, Mahurat Pole Naka, Manek Chowk, Ahmedabad-1.

BANKERS TO THE ISSUE :

STATE BANK OF INDIA
1 Strand Road, Calcutta-700001.

Or any of its main offices at : Ahmedabad, Amritsar, Bangalore, Bombay, Chandigarh, Cuttack, Delhi, Gauhati, Hyderabad, Indore, Jamshedpur, Kanpur, Lucknow, Madras, New Delhi, Patna and Poona.

NATIONAL AND GRINDLAYS BANK LIMITED
41 Chowringhee, Calcutta-700016.

Or any of its main offices at : Amritsar, Bangalore, Bombay, Cochin, Delhi, Gauhati, Hyderabad, Kanpur, Madras and New Delhi.

APPLICATION FOR SHARES

Applications for shares shall be made only by Indians resident in India and must be for a minimum of 50 shares or multiples thereof. Application Forms duly completed together with the amount payable on application i.e. at the rate of Rs. 15 per share must be lodged before the close of the Subscription List with any of the above two Bankers to the Issue at the places mentioned against them. Applications must be made in single names only and not in joint names. Transfer to joint names will, however, be permissible subject to the approval of the Board of Directors after allotment is made. An applicant should submit only one application (and not more than one) for the total number of shares required. The Board of Directors reserves the right to reject in its absolute discretion applications in joint names and multiple applications by the same applicant.

The Political Change in Australia

R F I Smith

THE change of national government in Australia in December 1972 signified the beginning of a new stage in Australia's development as a small, wealthy, ethnically European country on the fringes of South-East Asia. For the first time since 1949 the Australian Labour Party (ALP), led by Gough Whitlam, outdistanced the Liberal-Country Party coalition. Even before the final settlement of the results in individual constituencies Prime Minister Whitlam and his deputy Lance Barnard took a series of administrative initiatives which changed the direction of national policy at home and abroad. With the swearing in of the full cabinet of 27, and the summoning of parliament for its first session under Labour, the pace has been fully kept up. In the process there have been an acceleration of trends apparent in the closing years of the Liberal regime as well as new departures in proposed public policy. The effect has been to revive faith in the efficacy of the electoral process as an instrument of purposive change; to win the interest and commitment of many of the intelligentsia alienated from the previous drab and unjust governments; to raise new interest in other countries in Australia's international potential; and to dismay the faint-hearted who are rather flabbergasted to find Australia's long-lapsed reputation for radicalism getting a new lease of life.

The Liberal Party is still in a state of shock and although it has replaced as leader the luckless former Prime Minister William McMahon with the younger Billy Snedden, it has a long way to go before becoming a credible opposition. Its current re-appraisal of its policies and organisation will be prolonged and uncomfortable. Its coalition partner, the Country Party, came out of the election in better shape but, faced with a declining rural base and the possibility of a redistribution of seats which eliminates preferential treatment for country areas, is looking for ways of broadening its appeal. The Democratic Labour Party, which split from the ALP in 1955, made an issue of the ALP's alleged penetration by communists, and yoked tirelessly to keep the ALP out of office, has had to review its whole strategy and reason for existence. When by directing its preferences (under the Australian pre-

ferential system of voting) to the Liberals it manifestly contributed to their electoral success, it had a clear role in the political system. Now that it has failed in its job as nark and roadblock to the ALP it too is looking for a wider base. Thus it is having merger talks with the Country Party and a union of the two parties is a distinct possibility.

Although the vigour and intensity of Labour's approach to government caused surprise the result of the election itself was not a shock. Indeed some had expected the old government to have been defeated by a wider margin. Quite simply the old government was worn out. Its central policies had eroded and it had neither the imagination nor the will to construct new ones. Much of the success of the old government had rested on two foundations — contentment at home and fear of the 'red peril' abroad. In 1949 the Liberals took over from the Chifley Labour government an orientation to domestic politics which included federal government management of the economy, full employment and federal predominance in significant areas constitutionally the responsibility of the states. Innovations made by the government were limited; to a large extent the Liberals presided over the working out and running down of the policies they had inherited. In foreign affairs their approach was similar. They accepted the alliance with the United States made during the 1939-45 war and stuck to it without imagination. At the same time they strengthened their electoral position by dramatising perceived external threats to Australia and exploiting the feelings of racialism, xenophobia and anti-communism that run close to the surface in sections of the Australian electorate. This mixture had its most spectacular effect in 1966 when Harold Holt led the coalition to a crushing win over Labour on the issue of Australia's involvement on the side of the United States in Vietnam. It was a 'khaki election' and whatever the facts might have been many Australian voters saw Australian troops as fighting in the front line against an Asian communist aggression (in which China was centrally involved) and in defence of Australian domestic prosperity and 'way of life'.

But by the end of the 1960s the frame of politics was beginning to change. Successive Liberal leaders did not know how to handle the new challenges facing their government; the seriousness of the position was shown by the large gains made by Labour at the federal elections in 1969. The use of foreign threats for domestic purposes was undermined as a strategy by event in Vietnam. As the Americans got bogged down, the Liberal crusade against the red and yellow peril lost its force. Moreover in 1971 President Nixon's visit to China kicked the bottom out of the Liberal's case that China was an international leper. At the time of the announcement of Nixon's visit, Prime Minister McMahon was excoriating the Labour Party for Gough Whitlam's pioneering trip to Peking. He was left without an argument. If, of all people, Richard Nixon could treat with the Chinese, the China bogey could no longer be used in Australian domestic politics.

Stripped of the ability to divert attention to foreign threats the coalition also had to face a rising tide of domestic issues. In the period before the 1972 election the economy was exhibiting contradictory symptoms — the problems of inflation and unemployment were marching together. By world standards the problem of unemployment was minuscule but in Australia if the proportion of the work force unemployed approaches two per cent the federal government is in for trouble. For a time Australia's primary industries, especially wool, were also in economic trouble which added to the government's burdens. It was in this context that the Labour Party raised domestic demands which could not be dismissed and which the leadership of the Liberal Party was not adroit enough to take over.

Following the departure from federal politics in 1965 of Robert Menzies, creator of the Liberal Party and magisterial Prime Minister since 1949, the Liberals had had severe problems in finding a leader who could re-define and up-date the party's symbols. Harold Holt, despite his victory in 1966, failed to put his stamp on the party. John Gorton who followed him from 1967 to 1971 proved more adept in raising expectations and knocking over accepted policy predispositions than in building a new party consensus. William McMahon (1971-1972) had a reputation for technical efficiency in politics and administration which vanished as soon as he had responsibility for running the whole government. Following Gorton's

demolition of a number of Liberal myths McMahon tried foolishly not only to resurrect them but to move back to raking over old issues and scares from the 1950s, 1940s and earlier. The inadequacies of the party as a whole were symbolised in this aging, out-of-touch man whose personal ambition had driven him to take on a task that was too big for him.

The Labour revival was founded on hard-won party unity and the systematic evolution and propagation of policies with appeal to the predominantly urban Australian electorate. Following its defeat in 1949 the ALP had lost its sense of focus. Different groups within the party had disagreed violently about the course it should take. Out of this came the disastrous split of 1955 which created the Democratic Labour Party. In this period, except in 1961 when the Menzies government mismanaged the economy by suddenly imposing restraints on credit and thus creating unemployment, Labour did not seriously threaten the government. The rebuilding of the party's capacity involved the widening of representation on the party's federal policy-making and administrative bodies to include parliamentary leaders, the re-organisation of its state branches in the two largest states, Victoria and New South Wales, and the use of the bi-annual federal conference to re-write the party's platform. In addition the federal leader of the party, Gough Whitlam, developed a flair for communicating new policies to the people and in the immediate years before the 1972 election the party's federal officers were political operators of exceptional skill.

Whitlam succeeded to the leadership in 1967 following the retirement of Arthur Calwell, a tub-thumping, working class-oriented leader of the old Labour kind. Calwell was suspicious of members of the party with intellectual training and was vehemently opposed to non-European immigration. In contrast Whitlam is proud to be a middle-class radical and has never worked with his hands or been a trade unionist. A lawyer by training, he is unabashedly erudite and delights in classical allusions and references to the finer points of European history. He is physically huge and his impressive presence is linked with compelling oratorical ability. On questions of personal liberty his views are tolerant and liberal; he was one of the leaders in the movement which forced the party to drop its support of 'White Australia'. Despite his considerable experience in the Labour Party he first entered parliament in 1952)

Whitlam has had difficulty convincing sections used to leaders with trade union backgrounds that he is genuine. His impetuosity, quick temper, desire to rid the party of backward looking policies and structures, and indiscreetly proclaimed sense of personal destiny, have landed him in difficult situations that could have been avoided. Moreover his interests have not led him to acquire the skills of the 'numbers game', and in backroom scheming and bargaining, that are vital to the mobilisation of majorities within the party. This weakness has been overcome to some extent by gaining allies who are good at power broking — notably C R Cameron, now Minister for Labour, who learned the art in one of the toughest unions, the Australian Workers' Union. When Cameron took over the job of looking after the leader's intra-party housekeeping and headknocking, Whitlam was able to concentrate on the things he is good at.

What Whitlam excels at is the development of pragmatic policies which will enable the federal government to take firm action in the cause of social reform. For all his middle class ways, his ability on this point is highly congruent with the Labour Party's usual way of promoting social change. The party is pledged to a policy of socialisation but its actual objectives in this direction are vague; demands for the creation of a socialist society, when they are made within the party, are more notable for their symbolic than for their substantive content. The party's contributions to social reform have been incremental and episodic. What Whitlam has done is to assemble a package of policy initiatives in areas the Liberals hesitated to come to grips with and which are highly relevant to the needs of ordinary citizens. These areas include hospital and medical services, urban planning, local government, and education. Most Australians live in cities and in the last decade the problems of city living have become depressingly obvious. Whitlam proposes federal government action to take the pressure off existing cities by building new ones, to stabilise the price of land for home-building, to give local authorities the finance they need to provide an adequate range of local services, to increase the resources applied to education, and to introduce a comprehensive national health scheme.

Proposals in these areas were not developed in a hurry just for an election. Whitlam is himself a suburban man and has been concerned with the problems that bother his fellow subur-

banites for as long as he has been in Parliament. When he became leader he sought the advice of experts in various policy fields, assembled a competent personal and research staff, encouraged promising members of the parliamentary party who shared his interests to work out their views, and presented the results to the electorate in fully researched and well-timed speeches. In this way he structured the issues to be debated in the pre-election period in his favour. By the time the elections were due his contributions were well known. His judgment in emphasising these issues was shown by the support given to Labour in the outer suburban areas of Australia's two largest cities, Sydney and Melbourne. The shift to Labour in these areas was one of the most notable features of the results.

The transition from opposition to government is something in which Whitlam has revelled. He has had the support of a parliamentary party with high morale and a cabinet elected by the party caucus, containing well-qualified men. Of the 27 members of cabinet 14 have academic qualifications; ten come from trade union or traditional Labour backgrounds and these include some of the most effective ministers. Old departments have been restructured and new ones created to give emphasis to the government's areas of priority. A Department of Urban and Regional Development has been established; education has been made the sole responsibility of a senior minister; responsibility for aboriginal affairs has also been made a full-time job; portfolios have been established with responsibility for minerals and energy, the environment and the media; the Department of Social Security has been given a young and capable minister.

A list of the government's activities and achievements would take up much space. In the initial period when Whitlam and Barnard ran the country as a duumvirate, decisions flowed out at a strikingly fast rate. Some of the most significant actions include the reversal of Australian policy on Vietnam and strong criticism of the US bombing of North Vietnam prior to the cease-fire agreement; the abolition of conscription for military service and the release of all young men gaoled for refusal to comply with call-up notices; the encouragement of a new sense of independence and national identity; steps towards an independent foreign policy, oriented away from military pacts, and attuned towards an area of neutrality in South-East Asia; recognition of China and the exchange of ambassadors; a

firm stand against racialism either at home or abroad; opposition to French nuclear tests in the South Pacific; revaluation of the Australian dollar; the making of plans for the early independence of Papua-New Guinea; and consultation with the state governments on building new cities. Moreover a veritable squadron of committees and commissions has been established to inquire into and refine plans for changes in domestic policy. The Minister for Social Security had two academics working to a three month deadline on a health benefits scheme; a Protection Commission, headed by John Crawford, is examining entrenched systems of subsidisation and tariff protection; a joint parliamentary committee on prices has been set up to inquire into price rises in critical commodities. It is too early to judge the effects of many of these actions. Many proposals have the force only of ministerial announcements and await legislative and administrative backing. The important thing is that ministers are in deadly earnest about getting the necessary backing and that the government's actions in its first few months of office have established the basis for a continuing and creative wave of reform.

Despite the government's ascendancy it is not having it all its own way. Australian society and institutions, and their place as an antipodean segment of Western capitalism, place limits on what can be achieved in a hurry. For a start, at the legislative level the government does not have a majority in both houses of the federal parliament. In the Senate it can be outvoted by the Liberals in concert with the Country Party, Democratic Labour Party and independents.

The Liberals senators include some of the more conservative and backward looking members of the parliamentary Liberal Party, who feel no compulsion to compete with Labour by offering their own programme of change, as do significant sections of the Liberal Party in the House of Representatives. They have shown their determination to take control of business away from the government and to block legislation. A Senate election must be held between the end of 1973 and the middle of 1974, and the government can if frustrated in its legislative programme, seek the dissolution of both houses and try for a majority in both at the ensuing election. However because of the proportional representation system of voting used for Senate elections the government would have no assurance of gaining a better position. It therefore

has to mount a campaign of bluff based on the calculation that if pushed to the point of final decision some sections of the opposition, especially the Democratic Labour Party, may back down first.

The government's relations with the civil service are also crucial. In Labour's last period of government, during and after the 1939-45 war, it was fortunate to be able to recruit large numbers of sympathetic officers as part of the war effort. But one of the important structural changes of the Menzies period was the continued growth and professionalisation of the Commonwealth Public Service. Thus Labour now has to deal with a much expanded public service oriented by 23 years of non-Labour rule. The Public Service Commission is jealously guarding its prerogatives in the allocation of staff to the newly established departments. Important positions have not been filled. The Defence Department figured in a controversy over the role of the Minister for Defence's personal staff in which the Minister ended up losing some of his staff and becoming more dependent on the department.

FEDERAL-STATE RELATIONS

Of equal importance are the government's relations with the states. Constitutionally many of the areas in which Whitlam is most interested are the responsibility of state governments. During electioneering he used to cover himself by using phrases about consultation and co-operation with the states. In government however he has found that even state Labour governments are not going to agree meekly to the writ from Canberra. State governments have protested at the strategy of trying to influence state policy by the manipulation of federal grants — a strategy which Whitlam has proclaimed on many occasions to be central to his conception of the federal government's capacity for exercising initiatives. One of the government's attempts to assert Australia's national independence has also drawn protest from the states. The government wants to stop the practice of allowing certain legal appeals to be taken to the Privy Council in the United Kingdom. The states oppose the government's proposal and have added insult to injury by combining to seek, if necessary, the Privy Council's opinion on the extent to which the federal government can control offshore areas around the Australian coast. The issue is important because of the existence of offshore oil reserves which the federal government wishes to control.

The government was fortunate to take

over at a time when the national economy was in good shape. With the sharp rise in wool prices in 1972 the recession in the rural sector disappeared, and under the influence of the previous government's attempts to stimulate the economy, unemployment dropped. Economic management is not something at which Whitlam excels and the government is fortunate that its Treasurer, a mild and self-effacing accountant, Frank Crean, has established an unexpectedly firm hold on his portfolio. With inflation running at a record level, conservative and business forces are pressing for wage restraint as a necessary corollary to any move to control prices. The government has responded with a determination to attack prices first. The potential for conflict is high and a false step could prejudice the government's whole position. The government also has to contend with the inflow of foreign capital which under the Liberals was warmly welcomed. Crean has told foreign businesses quite bluntly that Australia does not want their money and has acted to stop proposals for foreign takeovers of Australian firms. But a substantial portion of Australian commerce and industry is already in foreign hands and the flow of foreign investment has been significant in maintaining the buoyancy of the economy. This situation limits the extent to which the government can act without risking an upset in the economy, and any upset, for whatever reason, will be strongly resented by the electorate.

In foreign affairs, the government's determination to strike an independent posture is long overdue, but the price of independent-mindedness and the changes in relations it will involve, have not been determined. Whitlam's statements on policy and his series of overseas visits, past and proposed, have removed the guidelines of former policies without replacing them with clear alternatives. For the moment it is enough that Australia is viewing the world through a lens with a wider angle but soon the government will be forced to make choices and commitments. Hence it will become relevant that the electorate has been used to assurances of protection from "great and powerful friends"; that Whitlam has not moved to sever the alliance with the United States; and that sections of the Labour Party are keen to press for the cutting of all ties with the US. In this configuration of forces lies the possibility of protracted conflict.

Of even greater importance will be the capacity of the government to respond to new challenges and to move

beyond the issues with which it is currently preoccupied. The force of much of its domestic programme is founded on an extension of government intervention and of bureaucratic controls. This is inevitable since the structure of society is such that needed adjustments will happen by themselves. But attention will have to be given to making sure bureaucratic methods do not crush the life out of the people they are supposed to help. Moreover there is growing dissatisfaction with the whole notion of state action as practised by social democratic governments. Of importance, too, is the question of limits to economic growth. The cost of paying for much of Labour's programme is to be recouped from growth in the economy. As yet it is only the radicals on the left who are questioning the propriety of burning up resources in increasing quantities for the exclusive enjoyment of Australians. But this, too, is a question that will have to be faced.

A further question is the issue of Australian investment abroad. For the most part, Australians have been rather proud that they have companies with the enterprise to set up shop in South-East Asia, Fiji and New Guinea. In recent years investment in Indonesia has proceeded apace. What the Indonesians and others think has been scarcely considered. The list of similar problems, both domestic and international, could be extended indefinitely. If the Labour Party can identify and confront some of them while in office it will do much to see that Australia does not lapse back into a state of suspended animation once the excitement of having a change of government wears off. In the meantime the change has refocused the objectives in Australian politics and only the most backward of Liberals will be able to deny for long that Labour has taken the initiative and that a successful challenge will have to be made largely on terms that Labour has made its own.

A New Era in Soviet-American Relations

The Soviet View

R G Gidadhubi

ABOUT a year after Nixon made his historic trip to Moscow, the First Secretary of the Communist Party of the Soviet Union, Leonid Brezhnev, is now making his return visit to Washington. How far have these two countries succeeded in translating the various agreements reached a year ago into reality? Are the Soviets and the Americans happy about the developments in their relations? Why are these two super powers, after a quarter century of confrontation, now trying to come closer? On the eve of Brezhnev's visit to the United States, it would be interesting to know the Soviet view on some of these questions.

In brief, the Soviets appear to be largely satisfied with the progress made so far in the normalisation of Soviet-American relations on the basis of the summit talks between Brezhnev and Nixon held in May 1972. Many Soviet academicians consider that Nixon's visit to Moscow has been a turning point in the history of Soviet-American relations in the post-war period. An aspect of great political and military importance is the signing of the treaty by the two countries on the limitation of anti-ballistic missile systems and also the interim agreement that has been recently concluded on measures to limit strategic

offensive arms (SALT-1). The agreements on scientific and technical co-operation, public health and space research are being implemented. For instance, the USSR-USA joint committee on co-operation in the field of environmental protection has worked out 30 specific projects in which scientists and specialists of both countries will be involved.

One field in which both countries have evinced great interest is trade and economic relations. For speedy expansion of trade and economic relations between the two countries, the Joint Soviet-American Commercial Commission set up in the course of the summit talks has already prepared the ground for the opening up of a US commercial bureau in Moscow and a USSR trade mission in Washington. In addition, the Soviet government is building a commercial centre in Moscow with the purpose of meeting to a fuller extent the requirements of the representatives of foreign firms, including many American ones, in the USSR. This is one more clear sign of the earnest desire of the Soviet Union to promote trade and economic relations with the United States.

Soviet economists view with satisfaction the threefold increase in the trade

turn-over between the Soviet Union and the United States over the past year. In contrast to the earlier pattern of commodity composition, wheat purchases exceeding 11 million tons figure as one of the most important items in Soviet imports from the United States in 1972-73. The interest in expanding trade is not confined to government circles only. Removal of trade restrictions and extension of credit facilities by the US government on the one hand and the large and steady Soviet market for a wide range of engineering and consumer goods on the other has encouraged American businessmen to turn to the Soviet Union in large numbers. In the first ten months of 1972, more than 2,500 representatives of American firms visited Moscow.

In the same way, stable East European governments and smooth labour relations in industry have even attracted private investors to many of the socialist countries, including the Soviet Union. The Soviets are particularly appreciative of the agreement that has recently been concluded with the American Occidental Petroleum Corporation for the construction in the USSR of a large industrial complex for the extraction and processing of oil and gas and the production of mineral fertilisers. The American side is to make available to the Soviet Union an advanced production process, machinery and equipment on credit terms with subsequent repayment through supplying the United States with part of the products to be produced by the new complex. This project involving mutual deliveries valued at 8,000 million dollars is to be effected over a period of 20 years. V Spandaryan, staff member of Gosplan (the State Planning Committee) of the USSR in his *Pravda* article of May 8, 1973, admits that this multi-billion dollar deal will make a considerable contribution to boosting the production of valuable mineral fertilisers in the USSR and thus facilitate the further development of Soviet agriculture. Mention may also be made here of the agreements concluded by the Soviet Union with the Swindell-Dressler Company for the delivery of equipment and technical co-operation in the construction of a foundry for the KAMAZ plant and with the Caterpillar Company for the delivery of equipment for laying a large diameter gas pipeline.

Why is it that after a quarter century of confrontation the two super powers are now trying to come closer? For the change in the stand of the American side towards socialist countries in general and the Soviet Union in particular,

V Aikimov and two others in an article in *Izvestia* (May 4, 1973), entitled "Time for Decisions on Soviet-American Trade and Economic Relations", attribute three basic causes, namely "World socialism, the international working class movement and the national liberation struggle of peoples". The authors explain that the increased military and economic might of the socialist countries, the abolition of colonial regimes and the onslaught of the working class movement have compelled the capitalist countries to change their attitude towards the socialist bloc.

FUTILITY OF CONFRONTATION

In the opinion of many Soviet scholars the general easing of political tensions in the international sphere has greatly contributed to the normalisation of Soviet-American relations. It is pointed out by Yuri Kanin in his article, "A New Stage in Co-operation between the USSR and the West", that the Soviet policy of peaceful co-existence had won wide recognition and that a policy of trade embargo on the USSR was not in the interest of the Western countries. On this point, G Arbatov writes in *Kommunist*, No 3, 1973, that "... there is good cause to state that the main trend of changes in international relations is towards *detente* and stronger peace, towards the affirmation of the principles of peaceful co-existence of states with different social systems". Hence it is generally contended that the Western countries, including the US, have now realised the futility of following a policy of confrontation with the USSR. One Soviet scholar reminds us that in 1958, the Soviet Union had suggested to the US that co-ordinated measures to normalise trade on the principles of mutual benefit and equality should be undertaken. This offer was then regarded as a sign of Soviet weakness and as a sign of the success of the 'Cold War' policy followed by the US at that time. He opines that time has dispelled these illusions.

In the coming together of the two super powers the economic interests of both the countries are no less important. The Soviets are aware that the Americans have an eye on their large market and abundant natural resources (natural gas in particular). But they also know that close economic relations and expansion of trade with the US will help them to narrow down the technological gap, boost the production of important industrial and agricultural commodities and improve the quality of their consumer goods. In addition to these benefits, the Soviets can tide over their foreign exchange difficulties and the problem of the large investments required for the

exploration of the natural resources of their eastern regions by allowing foreign capital to flow into the country. After all, the Soviets will repay the long-term loan in the form of goods produced in the new enterprises and there too, not the whole output be given away to the US. Hence the Soviet Union will stand to gain. Although large inflow of foreign capital is in sharp contrast to the situation prevailing till recently, Soviet political scientists see no contradiction in this with the country's professed philosophy. In fact, it is claimed by one scholar that "in co-operating with foreign firms, Soviet organisations proceed from the Leninist principles on the need to use foreign economic relations with capitalist countries in the interests of socialist construction".

In the opinion of some Soviet scholars, the US was virtually forced to seek the co-operation of the USSR in the trade and economic fields. In contrast to the majority of advanced capitalist countries which, despite American resistance, had developed normal economic links with the Soviet Union and had benefited from these links in the sixties, the United States had isolated itself from the markets of the USSR and other socialist countries. It appears that in order to overtake the West European countries in the Soviet market, Nixon agreed in October 1972 to offer most favoured nation (MFN) treatment in trade to the Soviet Union.

Although considerable progress has been made in a short period to normalise relations between the USSR and the US, certain problems still remain to be solved. One such problem relates to port and shipping facilities. Soviet ships face problems from the American side in entering Cuban ports and also in fulfilling various formalities required for visiting American ports. It is felt that the 'Cold War' aftermath continues to determine the American attitude in this regard.

The Soviets also feel that certain business circles in the United States are against the normalisation of relations between the USSR and the US and that there are forces actively opposing the expansion of trade and economic relations between the two countries. This, they fear, might complicate the situation. Moreover, the two sides have differences of opinion on many complicated trade policy issues. Whether or not Nixon and Brezhnev find solutions to all the outstanding issues during the latter's visit to Washington, there is no denying the fact that both the leaders have opened a new chapter in Soviet-American relations which is of great international significance.

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Economic Development: Chicago View

Bhabatosh Datta

Chicago Essays in Economic Development edited (with an Introduction) by David Wall; the University of Chicago Press, Chicago, 1972; pp 370, price not stated.

WHAT happens when the methods of the Chicago School of Economics are applied to development problems? This is the question with which the editor David Wall starts his introduction to the valuable collection of essays by members of the Department of Economics at the University of Chicago. The essays relate to different aspects of development problems and are all bound together by an academic presumption in favour of the operation of the market mechanism in a competitive system. What is likely to trouble many readers is that there is also a presumption that the competitive system exists in real life, or that it can be brought into existence very easily. The essays taken together provide a very thorough inventory of the gaps and inadequacies in the generally accepted development economics of today. One can only ask what the Chicago analysis will look like, if there is a searching examination of the assumptions not often made explicit and of the quick moves to policy conclusions from extremely limited data. We may very justifiably criticise any given set of assumptions and bring the hidden ones out into the open; but that does not build a case for a new set of assumptions, or a set far removed from real life.

The editor has started by putting clearly what he considers to be the "three beliefs" behind the common intellectual framework of the Chicago School. These are, first, that "theory is of fundamental importance"; secondly, that "theory is irrelevant unless set in a definite empirical context"; and, thirdly, that "in the absence of evidence to the contrary, the market works". The first belief is basically simple, but one feels that the implicit emphasis is on that particular brand of theory which rests on private profit-maximising behaviour in a perfectly competitive set-up. The second belief is easily acceptable to all, if relevance means relevance to policy prescription. The real difficulty is in regard to the presumption in favour of the market. One can start with a question about the type of the market and another about the

meaning of the term 'working'. There is nothing that does not work in some way or the other. It is not much to say that the market works, unless one clearly indicates what sort of markets work for what sort of objectives. The editor is careful to state that the market does not work always and that some of the papers do point out the conflicts between policy objectives and market solutions. Nevertheless, there is a strong belief in the allocative efficiency of the price-mechanism running through all the essays.

While the editor has tried to moderate to some extent the extreme forms of the Chicago 'beliefs', he has been less than fair to the non-Chicago development economists. These economists have all been lumped together. According to David Wall, they all assume that development is an automatic process, which is occasionally impeded by identifiable constraints; they also pretend that the development process can be simulated by mechanistic models which can be used as a basis for policy prescription. The first of the two charges certainly goes too far; there have been romantics among development economists, but there have been many others who have started from the position that, in the absence of specially designed impressed forces, it is non-development, which is generally an automatic self-perpetuating state. There is a world of difference between the abstraction that goes by the name of the theory of growth and the theoretical basis of the economics of development.

There is some truth in the charge that policy conclusions have sometimes been sought to be drawn from simulated mechanistic models of undeveloped economies. Here also there has been no dearth of hard-headed economists who have been fully aware of the limits and limitations of simplified models. These models have often helped to bring out the fundamental inter-relations. There is no reason why one should not appreciate the value of the work done through these analytical instruments, even when one wholeheartedly accepts the recurrent Chicago theme about the

importance of the human element in the development process. The technique of creating a paper opponent providing a rebuttable anti-thesis is common one in economic polemic. Aristotle created a Plato of his own; two thousand years later Keynes created his own brand of classical economics.

Happily, the individual essays do not all go all the way along the David Wall line. There are fifteen essays; the volume and the main contributors are A C Harberger, who has written five essays, and H G Johnson, who has written four. There are two each from Theodore Schultz and Bert Hoselitz and one each from Larry Sjaastad and D Gale Johnson. Three of the essays deal specifically with Latin American countries. Harberger's "Some Notes on Inflation" starts with an interesting general analysis, but it then goes to a study of the situation in Chile. The other essays cover 'underdeveloped', 'less-developed' or 'developing' economies (are they all the same?) and are generally relevant to the problems of India. It is interesting to note that Indian data have been used in many of the essays; Harberger's study of the comparative rates of return on capital formation and skill formation is based entirely on an Indian case study. It should be pointed out that most of the essays were written in around 1964-65; only two essays, by Harberger, were written in the last two years, while the oldest is Hoselitz study of urban growth written in 19

AGRICULTURAL DEVELOPMENT

It is not necessary to accept the social philosophy and the methodological technique of the Chicago School in order to appreciate the broad validity of Schultz's proposition ("Economic Growth from Traditional Agriculture") that the agricultural programme in the underdeveloped countries have often failed because "no profitable, rewarding agricultural inputs have been available to farmers which they could adopt and use". Whatever evidence one has indicates that cultivators learn quickly to use new inputs, if they are at all highly productive, abundant and cheap. Such high-pay-off agricultural inputs have to be "discovered, developed, tested" and then supplied liberally at a cheap price. Schultz's preference for the production of these inputs by private firms operating for profit.

is in line with Chicago thinking, but it is not necessarily linked with the main proposition about the requirements of the situation. There have been other forces that have impeded agricultural development, but Schultz has certainly indicated a vital area in which there is a wide scope for research and implementation.

Schultz's other essay ("Value of US Farm Surpluses to Underdeveloped Countries") similarly contains a main theme which would find general acceptance — that the direct benefit to the recipient country of PL 480 supplies is considerably less than is indicated by the money value of the aid. There may be, besides, indirect ill-effects through a relaxed policy in agricultural development. There are interesting estimates of the costs of PL 480 exports as borne by the US economy and also of the very low redemption value, which may be between 10 and 15 per cent of the CCC costs. These costs and losses are, however, willingly borne for reasons which may be partly economic and partly political. Schultz's estimate of the value of the PL 480 supplies to the recipient countries at 37 per cent of the CCC costs may be open to question and the implicit foreign exchange rate relevant to the deal may easily vary from country to country and also from situation to situation. The danger of a wrong turn to agricultural incentives is in fact more important.

Schultz has not considered the uncertainties that the recipient countries face when large balances are held in their banks by a foreign government, however restricted the withdrawals may be. Amounts which are small for the United States are large for India: the stabilising effects of which Schultz speaks may be outbalanced by the destabilising effects of the existence of semi-fluid foreign-owned funds. One has to note, of course, that this particular essay was written in 1960; at that time there was some need for moderating the optimism evinced in the FAO papers of 1955 and 1958 on the use of the agricultural surpluses of the rich countries to finance economic development in the poorer countries.

ECONOMIC POLICY

The most interesting papers in the volume are those written by Harry Johnson. In the first of his essays ("The Ideology of Economic Policy in the New States"), he has given a good account of the way in which the De-

pression of 1930, the growth of Keynesian economics and the example of Russian planning all combined to create an active interest in the problems of economic development. This is followed by an examination of the non-economic forces behind the industrialisation thesis, with its bias in favour of economic planning and against large international corporations. The case for economic planning in India and in many similarly placed countries, one may point out, is no longer a matter of any *a priori* ideology, but is solidly based on the recognition of the failure of the market mechanism. One recognises that there can be strong arguments in favour of large multi-national units operating in the developing countries, if one confines one's attention to an ideal situation. Such a situation does not exist. A poor country seeking economic progress has to balance the advantages of the system against the large financial and political powers which multi-national corporations can easily come to acquire. Harrison's essay was written in 1966: one notes in 1973 how the multi-national corporations have almost been operating their own international monetary system, powerful enough to defeat not only national policies, but also policies of international financial institutions.

In his essay on "Fiscal Policy and Balance of Payments in a Growing Economy", Johnson is critical of fiscal policy measures as correctives of balance-of-payments difficulties in the developing countries. After a lucid analysis of the balance-of-payments pressures generated by the process of planned development and of reluctance of policy-makers to initiate corrective changes in prices and income-distribution, he develops a case for explicit adjustments in the exchange rate, which in effect will mean a serial process of devaluation. There is much truth in what he says about the often-misplaced emphasis on import substitution and the concealed subsidy to particular groups of producers or consumers resulting from the continuance of an over-valued exchange rate. What is not clear is what the correct and distribution-neutral exchange rate will be in a given set of circumstances and what exactly should be the time-path of the changing exchange rates in a changing set of conditions. And one can ask whether one should derive from the arguments of Johnson a case for multiple exchange rates, which certainly are a closer approximation to an unimpeded free

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market than a uniform rate for all types of sub-markets in foreign exchange.

This is the recurrent difficulty that the reader faces. He can agree with the critique of the actual policies — both in their design and in their implementation — but cannot evade the feeling that there is an element of *non sequitur* when alternative positive recommendations are made. He can accept the proposition that a protectionist policy may create an oligopolistic structure within the sheltered market; he cannot necessarily accept the argument that alternative policies will keep oligopoly at bay.

Harry Johnson's essay on "Tariffs and Economic Development" again gives an excellent account of the state of the debate as it was in 1964 — examining the economic arguments for protection (tariffs as a means to increasing the real output), the non-economic arguments (industrialisation for pre-determined objectives like national self-sufficiency or military strength) and the 'non-arguments' (improvement in the terms of trade for primary producers). The arguments follow well known tracks, and to one who started reading economics in the good old days, it is interesting to find so much dependence on the Marshallian triangles representing losses of consumers' surplus or gains to producers. One does not have the heart to ask whose losses (however aggregated) are being compared with whose gains (however aggregated).

There would of course be cases where a subsidy to producers will be better than a protectionist tariff — a subsidy, depending on the circumstances, on training and research, on the use of labour in industry or of other specified factors in agriculture, and on interest rates in appropriate cases. The usual financial argument against subsidies is easily dismissed. The rest of the argument is based on static demand and supply curves. The inferences follow easily as first approximations; there are the same dangers here in reaching facile policy conclusions as there are in the opposite case which the Chicago School will regard as the anti-thesis.

Perhaps a little too much is made of 'cascading'. It is arithmetically correct that if duty-free imported materials constitute, say, 50 per cent of the value of the final output and if the final output is protected by a tariff rate of 30 per cent, the effective rate of protection to the value added by domestic manufacture will be 60 per cent. What

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matters is not the percentage, but objectives and feasibilities in particular cases. The advantage that the domestic producer is given may be an indicator of his current inefficiency, but protective tariffs are based on the expectation that the comparative disadvantage will decline within a limited period. This expectation is not always realised, but that does not create a case for the opposite type of policy.

Johnson has put the correct emphasis on the need for reducing tariff burdens on imports by the developed countries. He has also argued in his fourth essay ("Trade preference and Developing Countries") in favour of preferences by developed countries to imports from poorer countries. All this brings one back to the position that the conclusions and policy-prescriptions which are appropriate to a system of free and full competition — without obstacles to movement, both domestically and internationally — are not valid in a world of competing national policies, competing monopolistic activities and all the types of imperfections in the domestic markets. It is true that the actual implementation of policies by any single country faced with these difficulties has sometimes created further difficulties. But it does not follow that a country in these conditions should adopt policies on the blind assumption that everything else is copy-book style in the rest of the world.

INVESTMENT IN EDUCATION

Among the other articles, one has to take note of A C Harberger's essay on "Investment in Men versus Investment in Machines". On the basis of an Indian study in Hyderabad in 1957, aided by some data from C S Sahota's paper on "Returns on Education in India" (1962), Harberger concludes that the return on investment in machines is greater than an equivalent investment in education. This does not take into account the indirect social benefits of education; nor does it go into a detailed examination of the rates of return on specialised training in particular fields. There are also the questions of interdependence and time-lags. The basic limitation is however the attempt to put side by side an estimate of returns obtained from a single case study on education and an estimate derived from all-India data for company finances. There can be doubts about the justification for the way in which assumptions have been loaded on to the Reserve Bank studies of the finances of

joint stock companies, but even when these are ignored, one has to be cautious in calculating the rates of return on investment in education in different categories and different regions. And one can raise the basic question about the inclusion of the investment in primary education in calculating rates of return. Primary education should be taken as an essential consumer service which every state has to offer its people as readily as food and drinking water.

ACTION MEASURES

Coming back to what was said at the beginning, one has to repeat that if there are inadequacies in the economics of development, as understood, say, by economists in India, there are difficulties in the alternative formulations also. Besides, there is the fact that criticism is often piecemeal; it will be an interesting exercise to combine together the explicit and implicit action measures recommended in the fifteen essays collected in the volume and to see what emerges as the resultant picture. According to the editor, the Chicago credo that "in the absence of evidence to the contrary, the market works" means that "in specified situations, unimpeded competitive forces will lead to the most efficient and potentially most equitable allocation of the world's scarce resources". Ignoring the fact that there is enough gap through which all non-Chicago policies can escape, one notes that the argument begs the question about unimpeded competitive forces about the conversion of a *potentially* equitable income distribution into an *actual* distribution achievement. If competitive forces are to be unimpeded, they have to be unimpeded everywhere — in every factor market (including labour), in every commodity market (including, for example, armaments) and in every trading, domestic and international. It does not follow from the arguments developed in the book that it is easier to convert the realities of the market into the ideal conditions over the whole range than to improve the planning mechanism. There does not seem to be any possibility of bringing in a situation which corresponds to unimpeded competitive forces everywhere and in everything. There are 'market solutions' for all problems, but the market in which the solutions work themselves out is not what Chicago takes as its model.

Further, the potentially equitable income distribution can be converted into an actually equitable distribution

mainly by methods which may themselves impede the operation of the so-called competitive forces. The profit motive which is expected to increase the real income available for more equitable distribution may itself be damped down when it experiences the income transfers that follow production. And the initial state of unequal distribution will itself impede competition and thereby prevent the realisation of the potential for a larger real output for better distribution. The difficulties are magnified when one notes that the discussion is in terms of the allocative efficiency of the "world's scarce resources". It is no satisfaction to a poor people to know that the world output has become larger and has therefore become arithmetically more suitable for a better distribution all over the world.

Despite all this, there is a wealth of important logical exercises in the collection and students of development economics have to take them seriously. Perhaps the most valuable contribution of the essays will be to raise a few doubts about a wide variety of individual policy decisions. This can be immensely useful, even though one does not become convinced of the economic philosophy as delineated by the editor.

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Unequal Benefits from Kosi Development

Cost of Bypassed Institutional Reform

P S Appu

Before its taming, the Kosi, Bihar's notorious river of sorrow, inflicted infinite, but indiscriminating, suffering on all the inhabitants of the Kosi Area. The Giant Kosi Project has ushered in a new era of agricultural prosperity for this backward region.

The benefits have, however, been shared unequally, the bulk of the gains accruing to substantial land owners. The Kosi tamed, in the absence of essential structural changes, has turned out to be an instrument of inequity.

The utter neglect of institutional reform has not only resulted in the widening of the disparities in wealth and income, but has also proved to be a formidable deterrent to the fuller utilisation of the irrigation potential. This paper gives an outline of some urgently needed institutional changes.

RIVER OF SORROW

AT its debouch into the plains, at Chatra in Nepal, the Kosi is the third biggest of the Himalayan rivers, next only to the Indus and the Brahmaputra. After entering the alluvial plains, the river wends its way southward through a number of interlacing channels to join the Ganga at Kursela. What makes the Kosi a problem river is the enormous quantity of detritus it brings down from its catchment basin — on an average, over 81,000 acre feet every year. When the river enters the flat plains, the current slows down and the heavy load of sand and silt gets deposited in the river-bed blocking the flow in the channels. The river is thus forced to abandon its old channels and to cut new ones. While forming new channels, over the years, the river had shown a marked tendency to swing to the west, traversing some 70 miles in the course of 125 years.

This relentless process of riverine activity laid waste some 6,000 square miles of territory in the districts of Purnea and Saharsa, by depositing large quantities of sand over once-fertile agricultural lands. The dreaded annual floods brought in their wake death, disease, and devastation. Malaria, kala-azar, cholera, and other diseases were endemic. The Kosi was aptly dubbed "Bihar's River of Sorrow". There was, however, a saving grace: the deadly Kosi, like death itself, was a great leveler. It struck with blind fury and with equal harshness the rich and the poor, the landowners, the land poor and the landless. For several months in the flood season, all had to depend on relief doles. Thus, before its taming, the Kosi inflicted infinite, but indiscriminating,

suffering on all the inhabitants of the Kosi Area.

THE KOSI PROJECT

The Kosi Project comprises levees on both sides of the active channels, a barrage across the river, canal systems, and a hydel station. As flood control was the most pressing need, construction of the embankments was taken up first. The work started in January 1955 and was completed in about four years. The river has been confined within embankments over a length of about 75 miles, the distance between the two embankments varying from 3 to 10 miles. The embankments are estimated to have afforded protection from annual inundation to about 6.5 lakh acres of land in Nepal and North Bihar. The barrage was completed by 1963, and the Eastern Canal was opened for irrigation in a small way in 1964. Work has been completed on the Eastern and Rajpur Canal systems designed to provide irrigation to a gross cropped area of 17.85 lakh acres annually. Work has just started on the Western Canal system. The total investment in the project, at the end of March 1972, stood at Rs 97.53 crores.

AGRARIAN STRUCTURE OF KOSI AREA

The Eastern and the Rajpur canal systems provide irrigation to the districts of Purnea and Saharsa in North Bihar. These two districts, together, constitute what is popularly known as the Kosi Area. The salient features of the agrarian structure of the Kosi Area are: extreme concentration in the ownership of land, absentee landlordism with all its accompanying evils, widespread share-cropping characterised by insecurity of tenure, rack-renting, and other outrageous inequities, as well as a multi-

tudinous population of landless agricultural labourers eking out a precarious livelihood under the extant semi-feudal relations of production in agriculture.

No information regarding the size-class distribution of ownership holdings appears to have been compiled since the Seventeenth round of National Sample Survey (1961-62). Even these data are available only for the state as a whole and not for individual districts. According to the Seventeenth round of the National Sample Survey, in the state of Bihar ownership holdings below 2.5 acres accounting for 68.08 per cent of the total number of holdings and 13.75 per cent of the cultivated area. At the other end, holdings above 15 acres accounted for 2.67 per cent of the holdings and 25.32 per cent of the area. In the districts of Purnea and Saharsa, the concentration in the ownership of land is in all probability greater than in the rest of Bihar. It will, of course, be extremely difficult to ascertain the exact degree of concentration in the ownership of land. For, in the context of the legislative efforts made in recent years to impose a ceiling on agricultural holdings, the landowners have been quite naturally reluctant to disclose the truth. They have made every conceivable efforts to conceal the true extent of land owned by them. During the last 15 years, almost all the big landowners have resorted to large scale transfers of land to avoid and evade the ceiling law. Some of these transfers were permitted under the Bihar Ceiling Law — an interesting piece of legislation riddled with built-in loopholes. Some were downright fraudulent benami transactions. But, in most cases, even after such transfers, the old landlords continue to be the real and effective

owners of vast areas of agricultural land. The village records will, of course, show that their holdings are well within the ceiling area. Hence, no sample survey nor even complete enumeration of holdings can be expected to reveal the true state of affairs. From the discussions I have had with persons who are familiar with field conditions and from the enquiries made in the course of my tours in the Kosi Area, I am left with no doubt that there are still some big landlords who own over a thousand acres each, and a large number who own over a hundred acres. These empirical observations, it is readily conceded, can provide no firm basis for coming to any definite conclusion regarding the degree of concentration in the ownership of land. They do, however, clearly indicate that the ownership of land in the Kosi Area is highly concentrated.

Another feature of the agrarian structure of the region is absentee landlordism. The big landlords of the Kosi Area — particularly of the district of Purnea — own land in several scattered villages. Often, these villages are located at considerable distance from each other. In such a situation, even when the landlord lives in one of the villages in which he owns some land, he is unavoidably an absentee landlord as far as his possessions in the other villages are concerned. As a matter of fact, many of the big landlords of the region live in towns far away from their land. It has been observed that these absentee landowners seldom invest in land development; nor do they bother to put their land to the best possible use. They cling on to their land, partly out of habit and partly to appropriate the unearned increments that accrue from the steady appreciation of land values.

The most significant characteristic of the agrarian set-up of the Kosi Area is widespread share-cropping. Perhaps there is no other region in the country where the incidence of share-cropping is so high. This preponderance of share-cropping is the inevitable concomitant of the features discussed earlier. When holdings are very large but fragmented, widespread share-cropping is unavoidable under conditions of traditional agriculture. On the basis of a 20 per cent sample survey, it was found in the 1961 Census that, in the district of Purnea, 45 per cent of the households cultivated lands which were owned by them, 15 per cent cultivated leased-in lands, and 40 per cent were mixed tenancies. In Saharsa, 43 per cent of the households cultivated lands owned by

them, 17 per cent cultivated leased-in lands, and 40 per cent were mixed tenancies. In the state as a whole, 68 per cent of the households cultivated owned land and only 7 per cent cultivated leased-in lands, while mixed tenancies constituted 25 per cent. A sample survey conducted in 1968 showed that, in Purnea district, 23.36 per cent of the land was cultivated on share-cropping basis and that 43 per cent of the cultivators were sharecroppers. In Saharsa, it was found that sharecroppers constituted 40 per cent of the cultivators and that they cultivated 20.83 per cent of the land. These figures are even more suspect than are data regarding the size-class distribution of holdings. The 1961 Census Report itself says: "The possibility of concealment in furnishing information relating to the extent of share-cropping cannot be ruled out". This is, of course, a classic understatement. Persons familiar with field conditions are inclined to think that not less than 40 per cent of the area is under share-cropping. And, in the Kosi Area, share-cropping is practised on terms very unfavourable to the sharecroppers. Sharecroppers have to meet the entire cost of cultivation and yet give half the produce to the landowner. Though the Bihar Tenancy Act affords a measure of protection to them, the sharecroppers, in practice, continue to be tenants-at-will. As they enjoy no security of tenure, the legal provision, which fixes the landlord's share at 25 per cent of the gross produce, remains a dead-letter. Sharecroppers who try to get their claims established, or insist on giving only one-fourth of the produce to the landowner, face certain ejection.

The Kosi Area is also noted for the preponderance of agricultural labourers among the workers in agriculture. According to the 1971 Census, agricultural labourers constituted 50.62 per cent of the workers in agriculture in the district of Purnea and 53.39 per cent in the district of Saharsa. (The term

'workers in agriculture', as used in the Census report, includes both cultivators and landless agricultural labourers.) The seriousness of the situation is evident from the fact that the relevant percentage for the state of Bihar is 47.31 and for the country as a whole 23.83. Most of the agricultural labourers remain unemployed during the slack season, and the prevailing agricultural wages are among the lowest in the country. Most of the landless labourers remain attached to individual families of landowners for whom they have to work when there is work to be done. In return they get small areas of land to be cultivated on a share-cropping basis. As the landowner is also invariably the moneylender, his stranglehold on the agricultural labourers attached to his household is complete. Thus the agrarian structure of the Kosi Area reveals the survival of semi-feudal characteristics.

BENEFITS OF THE PROJECT

The benefits accruing from the Kosi Project are twofold: first, those resulting from flood protection, and secondly, those from irrigation. The Kosi Project has afforded protection from annual inundation to about 6.5 lakh acres of land in North Bihar. Some of the benefits resulting from the flood protection works, such as freedom from physical discomfort or suffering and improved health conditions, have been shared by all sections of the population. Flood protection has also led to assured returns from agriculture and to spectacular appreciation in land values. The size-class distribution of holdings being very skewed, the new-found agricultural prosperity has been shared unequally.

The Project report envisaged that the Eastern Canal system would, on full development, irrigate 8.11 lakh acres during kharif, 2.49 lakh acres during rabi, and 3.74 lakh acres in summer — making a total of 14.34 lakh acres. For the Rajpur Canal, the figures are 1.90

TABLE 1: AREA IRRIGATED BY THE EASTERN CANAL SYSTEM

Years	Area in Thousand Acres			Total
	Kharif	Rabi	Hot Weather	
1964-65	9.85	0.10	—	9.95
1965-66	60.97	1.44	1.51	64.32
1966-67	165.93	14.95	10.60	178.57
1967-68	265.41	27.28	29.52	322.21
1968-69	240.91	38.94	32.07	311.92
1969-70	285.19	28.45	—	293.64
1970-71	166.65	36.33	—	203.00
1971-72	375.00	—	—	—

Source: Paper on Kosi Project by S G Tiwary, Superintending Engineer, Drainage Circle.

lakh acres during kharif, 0.89 lakh acres during rabi, and 0.72 lakh acres in the summer — making a total of 3.51 lakh acres. Thus the two canal systems together were expected to irrigate 17.85 lakh acres annually. Table 1 shows the area irrigated by the Eastern Kosi canal system annually since 1964-65, when water was first released. The Rajpur Canal system has been in operation for about two years only.

The figures show that utilisation is only about 25 per cent of the potential even 8 years after the commencement of irrigation. A closer look at the figures will show that, while in the kharif season utilisation has reached about 40 per cent of the potential, during the rabi season utilisation has never gone beyond 15 per cent of the estimate. Similarly, utilisation during the summer too has been very low — not exceeding 10 per cent of the estimate.

With the completion of the Kosi Project, the area has experienced considerable agricultural prosperity. Land values have appreciated phenomenally, the range of appreciation being from Rs 50 to Rs 5,000 per acre in some cases. In the result, persons owning large areas of land have benefited greatly. Small holders have also benefited from the flood protection works and the Canal system. However, they have not been able to make full use of the irrigation in the absence of access to the necessary inputs. Furthermore, their dependence on moneylenders and substantial landowners for credit has rendered the position of the small holders extremely vulnerable: The enhanced land values and the increased productivity of land have whetted the appetite of the bigger landowners and moneylenders to acquire more land and expand the size of their holdings; and many a small holder has been obliged to mortgage or sell his land to big landowners. The position of the sharecroppers has become even more precarious. In the past, before the taming of the Kosi, agriculture in this area was a very hazardous occupation. With a wanton river changing its course frequently, and its channels cutting through agricultural land overnight and large tracts being subjected to annual inundation, agriculture in the Kosi Area was a gamble. The region was notoriously unhealthy. In such a situation, it was small wonder that the big and medium landowners preferred to get their land cultivated by sharecroppers, who were mostly members of the Scheduled Castes and Scheduled Tribes. With the completion of the Kosi Project, there

has been marked improvement in health conditions and agricultural productivity. These improvements, along with the steep rise in land values, by themselves would have given enough incentive to the landowners to get rid of the sharecroppers. Unfortunately for the sharecroppers, this period also coincided with the era of half-hearted legislative and administrative efforts to protect them. These halting measures of land reform have had the unfortunate effect of impelling the landowners to hasten the ejection of their sharecroppers. The result has been widespread agrarian disputes in the area, particularly in some parts of Purnea district. The landowners have generally succeeded in ousting sharecroppers belonging to the Scheduled Castes from the land they had been cultivating for generations. As the Scheduled Tribes are a proud people with a degree of social cohesion, they have been able to put up some resistance. In many a case, the landowners resorted to brute force to eject the tribal sharecroppers. The high-water mark of the atrocities committed against the sharecroppers was reached in an incident in Purnea district in November 1971, when 14 Adivasis were murdered in broad daylight. There is ample reason to believe that the Kosi Project is partly responsible for the worsening of the conditions of the sharecroppers, many of whom have been pushed down the social ladder to swell the ranks of landless labourers. The irony of the situation is that, even after the old sharecroppers are evicted, the landowners seldom bother to cultivate the land personally. In most cases, they get the land cultivated by new sharecroppers who are not likely to claim tenancy rights.

The Kosi Project has brought canal irrigation to an area which was already raising more than one crop. The prevailing agrarian structure was not conducive to the development of intensive agriculture. Hence there has been only marginal improvement in the intensity of cropping. On the basis of a sample survey undertaken in 1970, P H Prasad came to the conclusion that there was little evidence of increased intensity of cropping. It was also found that there was no increase in the overall demand for labour. The extremely low level of agricultural wages in the area confirms this conclusion. Even today, the normal daily wage of a male worker is Rs 2, or its equivalent. During the busy season, the wages may go up to about Rs 3 or so. Considering that prices have been steadily rising year after year, the economic conditions of the

agricultural labourers in the Kosi area have perhaps deteriorated in recent years. At any rate, there has been no improvement. Thus, briefly stated, the benefits of the project have been shared in the following manner: substantial landowners have benefited substantially, small landowners have made small gains but their position has become vulnerable, sharecroppers have suffered greatly, and landless labourers survive in more or less the same conditions of abject poverty in which they have always lived.

UNDERUTILISATION OF IRRIGATION POTENTIAL

There are several reasons for the underutilisation of the irrigation potential which has been created. Some of these reasons are common to most river-valley projects in the country, while some are specific to the Kosi Project. The familiar reasons — such as delay in the construction of water courses, absence of field channels, lack of attention to land-levelling, neglect of drainage and water management, failure to evolve suitable cropping patterns, fragmented nature of holdings, inadequacy of agricultural extension, and constraints in the supply of credit, seeds, fertilisers — have all made their contribution to the underutilisation of the available water in the Kosi Area also. Some of these obstacles are, perhaps, of a more serious nature in the Kosi Area than in the command areas of most other river valley projects. For instance, the undulating nature of the land is a very serious problem in the Kosi Area. As mentioned earlier, the river had laid waste large tracts of territory, by depositing huge quantities of sand here and there. A survey has shown that, out of the command area, about 3.37 lakh acres fall above the gravity command, and, therefore, would not in any case get irrigation. The survey has also shown that about 6.48 lakh acres need levelling. The problem of waterlogging also is quite serious. It has been estimated that about 3.68 lakh acres of the command area remain waterlogged. The heavy load of silt and sand brought down by the river gets deposited in the canals obstructing the flow of water. Delay in desilting and failure to keep the canal system in proper trim have also contributed to the underutilisation of the available water. One of the important reasons for the slow progress in the utilisation of irrigation is that the Kosi command area has an average annual rainfall of about 60 to 65 inches. The rainfall is fairly well distributed from April to Septem-

ber, and normally two crops of jute and paddy can be grown without irrigation. In such a situation, an irrigation scheme is more or less an insurance against the occasional failure of rains. This situation has been rendered more difficult by an outmoded and irrational system, under which the farmers have the option to decide every season whether or not they would draw water from the canals. Naturally, the farmers watch the behaviour of the monsoon for some weeks, and, only if rainfall is deficient, do they ask for water. Several years ago, a committee appointed by the state government had recommended that the system should be abolished, and that within the command area where supply of water was assured the farmers should be required to pay water rates irrespective of whether or not they took water in a particular season. The state government has, however, not yet seen its way to abolishing the old system.

The constraints discussed above explain to some extent why kharif irrigation has not extended beyond 40 per cent of the project estimate. But they do not afford the full explanation for the underutilisation. And none of these reasons explains why utilisation of water during the rabi and summer seasons is far below the rate of utilisation during the kharif season. The reasons for the gross underutilisation of water during the rabi and summer seasons are rooted in the agrarian structure of the Kosi Area. The concentration in the ownership of land and the widespread sharecropping on terms grossly unfair to the sharecroppers, are the main reasons for the underutilisation of water during the rabi and summer seasons. The Kosi has a minimum discharge of about 9,000 cusecs even in January, which is the leanest month for the river. The quantity of water in the canals is, therefore, adequate for providing irrigation to about 8 lakh acres. Anyway, there is, without doubt, enough flow in the canals to supply water to every field that gets irrigation during the kharif season.

It has been observed that big land-lords usually grow rabi crops only on a portion of the land owned by them and leave the rest of the holding fallow. They have shown little enthusiasm for full utilisation of the available water to grow rabi and summer crops. Table 2 shows the results of a survey of 11 villages made by P H Prasad in 1970. A glance at Table 2 will show that, while cultivators with kharif irrigation for less than two acres of land fully utilised the available water in the

rabi season, there was a steady fall in the utilisation with an increase in the size of the holdings. Cultivators getting water in the kharif seasons for over 20 acres utilised only 26.50 per cent of the available irrigation in the rabi season. On questioning some large farmers, I gathered that they found it extremely difficult to grow rabi crops, particularly wheat, on more than 15 to 20 acres. In the Kosi Area, the dominant crop is winter paddy, harvested towards the end of November or early December. Immediately after harvesting, the farmers get only two to three weeks to prepare the land and to sow wheat. Under conditions of traditional agriculture, using bullocks for draught power — and emaciated scrub bullocks at that —, the farmers find it extremely difficult to operate a larger area. The fragmented nature of the holdings and the fact that many of the big farmers are absentee landlords, have made the situation more difficult. The large size of the holdings is, without doubt, one of the main reasons for the low utilisation of the irrigation potential.

Share-cropping is an equally important constraint. According to the terms under which share-cropping is practised in the Kosi Area, all the inputs have to be provided by the sharecroppers themselves; yet, sharecropper must give half the produce in each season to the landowner. Experience shows that, in the Kosi Area, an average crop of paddy yielding about 4 to 5 quintals can be grown without applying chemical fertilisers or using improved seeds. But growing wheat is a more costly proposition. According to a rough costing, done after discussions with several farmers and agricultural experts, it appears that on seed alone an additional investment of about Rs 45 per acre has to be made. This is so because an acre needs only 15 kg of paddy seed, as against 40 kg of wheat seed. Yet another reason for higher expenses in growing

wheat is that a reasonable yield cannot be expected unless some investment is made in chemical fertilisers. While an optimum dose of fertilisers will cost about Rs 200 per acre, even for growing an ordinary crop a minimum investment of Rs 50 will be necessary. Thus, even if all the other items are left out, an additional investment of about Rs 100 is necessary for growing wheat. As the sharecropper has to meet the entire expenditure, and particularly as he has to borrow money on usurious terms, it would be entirely foolish on his part to grow wheat. That is why the land under share-cropping usually remains uncultivated during the rabi season.

The question arises, why is it that the landowner does not agree to share the cost or reduce his share of the produce to less than half. After all, he will be a gainer even if he shares the cost of the inputs or agrees to a smaller share of the produce. One of the reasons for the behaviour of the landowner is probably to be found in his apprehension that if a sharecropper cultivates the same plot all the year round, he may successfully claim tenancy rights. After the harvesting of paddy, the land remains fallow for several months, and it is easy for the landowner to throw out the sharecropper when the land is fallow. Another reason appears to be that the landowners look upon their land essentially as a form of wealth, the value of which is appreciating year after year; they are not overly concerned about the annual returns. Furthermore, in the semi-feudal set-up of the Kosi Area, the big landowners are yet to acquire the dynamism of capitalist farmers. Such being the state of affairs, it is obvious that there can be no marked improvement in the utilisation of the irrigation potential in the command area of the Kosi Project — particularly during the rabi and summer seasons — unless the existing agrarian

TABLE 2: DISTRIBUTION OF ECONOMIC BENEFITS OF THE KOSI PROJECT

Kharif Irrigation Class-Size (Acres)	Number of Households	Total Kharif Irrigation (Acres)	Total Rabi Irrigation (Acres)	Percentage of Rabi Irrigation to Kharif Irrigation
0 to 2	259	367.30	376.20	102.43
2 to 5	117	465.50	309.00	66.38
5 to 10	49	387.00	221.00	57.11
10 to 20	13	180.50	98.00	54.29
20	3	207.56	55.00	26.50
Total:	441	1607.86	1059.20	65.88

Source: "Economic Benefits of the Kosi Command Area", by Pradhan H Prasad; p 44.

structure is replaced by a more egalitarian one.

PRESENT PROGRAMME OF AREA DEVELOPMENT

The Government of Bihar is executing a programme for the development of the command area of the Kosi Project. The programme includes construction of watercourses and field channels, periodic desilting of the canals, execution of drainage works, land-levelling including reclamation of waste land, supplementing canal irrigation by exploiting ground water and consolidation of agricultural holdings. It was envisaged in the project report, that government would construct watercourses down to 5 cusecs capacity, and that it would be left to the beneficiaries to construct the watercourses of smaller capacity and the necessary field channels. When it was found that the beneficiaries were reluctant to take up the work, government decided to construct watercourses down to 1 cusec capacity. Accordingly, watercourses down to 1 cusec capacity have been constructed at government cost. Unfortunately, the beneficiaries have been showing much enthusiasm, even in digging field channels. During the recent drought relief operations, funds were provided for construction of field channels and a beginning has been made. However, completion of the work and future maintenance of the field channels will have to be left to the beneficiaries. It remains to be seen how efficiently this will be done.

As the river brings down huge quantities of silt and sand, the canals get choked quickly. It has been found necessary to close down the canals every three years for a few months in the summer to remove the silt and sand. This work is being attended to now. About 3.68 lakh acres of the gross command area remain waterlogged. In order to tackle this problem, a drainage scheme has been sanctioned and is under execution. The need for land-levelling was indicated earlier in this paper. An area of 6.48 lakh acres needs levelling. It is expected that part of the work will be done by the beneficiaries without any assistance from the government. A scheme has been drawn up, with financial assistance from the Agricultural Refinance Corporation, for levelling and reclaiming 3.48 lakh acres at a cost of about Rs 4 crores. The scheme provides for sanction of loans to farmers to buy about 600 tractors. It was hoped that the farmers would utilise the tractors for levelling their own lands and also for doing the work in the lands of small cultivators at a

rate prescribed by the government. Though 383 tractors have been supplied so far, the work of land-levelling has made very little progress. During the last three years, only about 2,000 acres of land have been levelled though the target was to get the work done in over 200,000 acres. It has been found that the big farmers who have purchased tractors generally use them for ploughing, haulage, etc., and not for land-levelling. The agrarian structure of the Kosi Area is to be blamed for the tardy progress in land-levelling as well. The programme for the exploitation of ground water has registered better progress. The original programme was to sink 5,720 tubewells and to energise them with electric motors or diesel engines at an estimated cost of Rs 6.75 crores. The scheme was modified subsequently and the number of tubewells was reduced to 2,000. So far, 19,661 tubewells have been completed. The innovation of the bamboo tubewell, a low-cost device for the exploitation of ground water, has led to a breakthrough in the exploitation of ground water resources.

The state government has just taken up the consolidation of agricultural holdings in Purnea district. Consolidation of holdings, before according effective protection to sharecroppers is bound to lead to their ejection. For one thing, when holdings are scattered, even a resident landowner finds it difficult to cultivate personally all the bits and pieces of land constituting his holding and, therefore, he is obliged to lease out some portions of his holding to sharecroppers. After consolidation, the landowner will find it both feasible and profitable to cultivate personally the entire area; he will, therefore, try his best to oust the sharecroppers. For another, the relationship of share-cropping tenancy subsists in respect of a specific piece of land easily identifiable in the field. Once consolidation is effected, the identity of the particular piece of land that the sharecropper has been cultivating will be lost, and so the landowner will find it easier still to evict him from the land. When it came to my notice that the consolidation of holdings in the district of Purnea would lead to the certain ejection of the sharecroppers, I wrote to the state government fully explaining the situation and suggesting that consolidation operations be stopped forthwith. The matter is probably still under consideration of the state government.

The area development programme has so far been conceived of in isolation from the much-needed institutional re-

forms. As already pointed out, the benefits of the Kosi Project have been shared unequally and the completion of the project has even resulted in a worsening of the position of the weaker sections of the society like sharecroppers. The present area development programme, particularly the completion of consolidation of holdings in the manner in which it is being attempted now, will spell disaster for the share-cropping tenants and will further widen the disparities in wealth and income. We have already put the cart firmly before the horse by providing irrigation and flood protection long before steps were taken for land-levelling, land development, drainage, consolidation of holdings, etc. We shall be persisting in the same folly if we go ahead with the present programme of area development without bringing about the necessary institutional changes.

SOME URGENTLY NEEDED INSTITUTIONAL CHANGES

As we have seen, the main obstacles to the fuller utilisation of the irrigation potential are rooted in the agrarian structure of the Kosi Area. The most important stumbling blocks are the existence of holdings of very large size which the owners do not care — or are unable — to operate efficiently, widespread share-cropping on terms which inhibit the adoption of modern farming practices, and the inability of small cultivators to obtain adequate inputs. These being the hurdles, the needed reforms are obvious.

The first thing to be done is to break up the big holdings and to bring them all down to a manageable size. This objective, no doubt, can be achieved to a certain extent by strictly implementing the amended ceiling law which fixes the ceiling area for a family of five members at 15 acres of Class I land. Under the Bihar law, land with canal irrigation for more than one season is treated as Class I land. Considering that there has been no marked change in the prevailing social and economic conditions or in the political power structure, there is no rational basis for hoping that the amended ceiling law will produce spectacular results. Furthermore, many of the transfers made by the big landowners having been sanctified by the then existing ceiling law, there will be legal difficulties in annulling the bulk of these transactions. The ceiling law alone will not, therefore, be an adequate instrument for bringing down the size of the holdings to a reasonable size. We have to search for other measures over and above mak-

ing every effort to implement the ceiling law efficiently. One such measure is to lay down that a person will be allowed to own land only in the village in which he resides permanently or in an adjacent village. All the other land owned by him should be taken over by government on payment of nominal compensation. The strict enforcement of such a law will not only put an end to extreme concentration in the ownership of land but will also partly cure the evil of absentee landlordism. It will also be more difficult to evade such a law than to evade the ceiling law. Another measure worth considering is the imposition of betterment levy. Instead of imposing a levy to be collected in cash, the beneficiaries may be required to surrender a portion of the land which has benefited from the project. Persons owning less than 5 acres may be exempted from the levy. The levy may be imposed at a progressive rate on those who own more than 5 acres. A third measure that deserves consideration, is the enactment of a law enabling the government or the Area Development Authority to acquire, on payment of nominal compensation, all agricultural land within the command area which has been left uncultivated in any one season. Land taken over under any of the three provisions suggested above should be distributed among the landless labourers and the land-poor peasants.

Equally important is the question of extending full protection to sharecroppers. In the first instance, permanent and heritable rights should be conferred on them and the provisions which fix fair rent at a level not exceeding 25 per cent of the gross produce should be strictly enforced. Later on, ownership rights should be conferred on them. Under the Bihar Tenancy Act, a distinction is made between occupancy and non-occupancy under-tenants. To claim rights of occupancy successfully, one should be able to prove continuous cultivating possession for 12 years. All share-cropping arrangements being oral and informal, and the social and economic position of the sharecroppers being extremely weak, it is seldom that a sharecropper succeeds in getting himself declared as an occupancy under-tenant. It is necessary to amend the law so as to do away with the distinction between occupancy and non-occupancy under-tenants. What is even more important is enactment of a law for the recording of the rights of sharecroppers and according of presumptive evidentiary value to the record of rights prepared under that law. Committees of

landless labourers and sharecroppers should be associated with the work of preparing such a record of rights. If the work is accorded high priority and is entrusted to hand-picked officers, it should be possible to extend the necessary protection to the bulk of the sharecroppers in 12 to 18 months' time.

Lastly, there is need to provide credit and other inputs to the assignees of new land, sharecroppers who acquire permanent rights in the land, and small holders who own less than 5 acres. The nationalised banks, the land development bank, and other co-operative institutions, should be required to revise their lending policies. The bulk of the lending from these institutions, say of the order of 80 per cent or so, should be reserved for the above-mentioned categories. Even if such a policy is adopted, the social and economic set-up of the Kosi Area being what it is, it is very doubtful whether it will be possible to ensure easy access to credit and other inputs to the small holders and beneficiaries of land reform. It may, become necessary, therefore, for government to resort to direct financing to help the weaker sections of the agricultural community.

CONCLUSION

The Kosi Area had always been noted for its inegalitarian social structure and extreme inequality in the ownership of land. The completion of the project, at an expenditure of about Rs 100 crores, has directly led to a widening of the disparities in wealth and income. The outmoded agrarian structure prevailing in the Kosi Area has not only been responsible for the perpetuation of social and economic injustice, but has also proved to be a deterrent to the fuller utilisation of the irrigation potential and the adoption of modern agricultural technology. The area development programme launched by the state government completely ignores the pressing need for institutional changes. The execution of this programme is not likely to lead to any significant improvement in the utilisation of the irrigation potential. On the other hand, it is bound to widen the disparities in wealth and income. The execution of the area development programme should be postponed, therefore, until the much-needed institutional changes aimed at making a frontal attack on the inegalitarian agrarian structure are completed. Certain suggestions for institutional reform have been made in this paper in the hope that the undisguised cynicism with which 'progressive' farmers have been pampered

over the years will yield place to a more enlightened policy.

[The views expressed in this paper are the writer's own and do not necessarily reflect those of the Government of India or the Government of Bihar.]

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Indigenous Tyre Curing Systems

TYRE manufacturers in India are now offered indigenous tyre curing systems conforming to the best international standards. The world famous 'Bag-O-Matic' tyre curing presses and related equipment will shortly be manufactured in India by L and T-McNeil Limited. This new company is a joint venture of Larsen and Toubro and McNeil Akron — a Division of McNeil Corporation of Akron, USA.

Construction work has already started on the new manufacturing plant at Madras. Important initial orders have been received and deliveries are scheduled to commence from December 1973. McNeil Akron will extend technical assistance for manufacturing, assembly, commissioning and quality control of the factory's products — which will be backed by L and T's marketing and service facilities.

Since modern tyre curing systems were not manufactured in India up to now, tyre plants were using imported equipment, mostly 'Bag-O-Matic' which ensures high output and quality through sophisticated electrical, pneumatic and hydraulic controls. Now the major tyre companies in India are on the threshold of expanding their manufacturing facilities.

Registered in March 1972, L and T-McNeil Limited has an authorised capital of Rs 1.8 crores, 60 per cent of which has been taken up by L and T and 40 per cent by the American collaborator. The project involves an initial capital outlay of Rs 1.2 crores. The first phase of the project envisages production of Rs 5 crores per annum.

Partial Integration of Agricultural and Non-Agricultural Incomes

A Suggestion

Ahmad Raza

The scheme of partial integration, though well conceived, does not curb the temptation to camouflage non-agricultural income as gains from agriculture. If this temptation is to be curbed, it is necessary to amend the scheme in such a way that what the assessee may gain by way of reduction in income tax liability the loses by way of increased AHT liability. If this is done, it will no longer pay to camouflage non-agricultural income as gains from agriculture.

THE disparate treatment of agricultural and non-agricultural income for the purpose of income-tax creates a strong temptation for the assessee to masquerade their income earned otherwise as gains from agriculture so as to avoid tax liability. It is in realisation of this that the Raj Committee on Taxation of Agricultural Wealth and Income recommended the scheme of partial integration of agricultural and non-agricultural income for determining the rate of tax applicable to non-agricultural income. The scheme has since been accepted by the government. Under the scheme, both the agricultural and the non-agricultural components of income are aggregated and the tax on the non-agricultural component is levied as if it were placed in the top slab of the aggregate income. The scheme is justified on the ground that it will

- (i) ensure that the tax burden on assessee with similar income does not differ sharply merely because of the fact that part of it is derived from agriculture; and
- (ii) curb the temptation to dress up a large chunk of taxable income as income of agricultural origin.

The problems arising out of exclusion of agricultural income from the income-tax base are real. It is, however, doubtful whether the scheme of partial integration, in its present form, can be an effective, or even a partial, solution of these problems. The scheme, as it now stands, will no doubt bring some additional revenue, though how much is an open question. But the assumption that it will ensure even broadly similar treatment of assessee with similar income is unrealistic. And the argument that tax evasion through the device of camouflaging taxable income as gains from agriculture would cease to be paying if the disclosure of agricultural income entails a heavier burden of tax on non-agricultural income is hardly tenable. A little exercise will make these points clear.

As regards the first problem, it is

easy to see that all that the scheme of partial integration ensures is that assessee with similar aggregate incomes are taxed similarly at the margin. The average rate of tax is, however, not even broadly equal. Thus, even under the scheme of partial integration, assessee with similar income will continue to be subjected to disparate treatment, the average rate of tax or the tax burden varying with the size of the non-agricultural component of the aggregate income. The disparity in treatment of assessee with similar incomes, however, is now reduced, particularly at higher levels of non-agricultural income.

As regards the second problem — i.e., curbing the temptation to inflate profits from agriculture in the tax returns — though disclosure of agricultural income does entail a heavier burden of tax on non-agricultural income, this, in itself, does not necessarily make the act of tax avoidance through the device of camouflaging taxable income as gains from agriculture unattractive. It may be emphasised that comparison of the relative tax burden then and now is besides the point — in fact, irrelevant. Whether tax avoidance through this device is a paying proposition or whether tax, in fact, will be avoided through this device will depend on the average and/or the marginal rate of return from camouflaging taxable income as gains from agriculture, the rate of return being defined in terms of the saving in tax liability as percentage of taxable income so camouflaged. The inducement will be there so long as the marginal rate of return is positive. And the assessee will continue to avoid tax through this device so long as the rate of return is sufficiently high to justify it. Thus, the point at issue is not whether the scheme of partial integration reduces the gains from tax evasion — this it definitely does — but whether it brings down the average and the marginal

rate of return from camouflaging non-agricultural income as gains from agriculture to such a low level as to make the act of tax avoidance not worth the risk. If this is accepted, some simple arithmetic will show that though the scheme of partial integration reduces the gains from tax evasion, both the average and the marginal rate of return, by way of savings in tax liability, from passing off non-agricultural income as gains from agriculture remain very high — in fact, in certain income-ranges, even higher than what these would have been in the absence of the scheme of partial integration. Thus, for instance, when the assessee has an income of Rs 150,000, Rs 50,000 from agriculture and Rs 100,000 from non-agricultural sources, camouflaging of the first Rs 10,000 saves him, in tax liability, Rs 8,625 when there is no partial integration and Rs 7,475 after the scheme is introduced. Savings from camouflaging the next Rs 10,000 is Rs 8,625 and Rs 8,050 respectively. Beyond this point, savings are more under the scheme of partial integration (cols 5 and 6, illustration II). Additionally, it may also be noted that, in the absence of the scheme of partial integration, both the marginal and the average rates of return from tax avoidance decrease as more and more non-agricultural income is camouflaged. Under the scheme of partial integration, on the other hand, the rate tends to increase (cols 5 to 8, all three illustrations). In other words, given the level of non-agricultural income, there is now, under the scheme of partial integration, greater incentive to camouflage a larger and larger chunk of non-agricultural income as income from agriculture. This being the case, it will still pay the assessee — and pay handsomely — to avoid tax through this device and the scheme of partial integration will, in no way, affect the assessee's propensity to camouflage non-agricultural income as gains from agriculture.

INCOME TAX LIABILITY, INCLUDING SURCHARGE, WITH AND WITHOUT PARTIAL INTEGRATION—SOME CASES

Income Level (Rs)		Total Income Tax Liability (Rs)		Rate of Return (Percentage)			
Non-agricultural	Agricultural	Without Partial Integration	With Partial Integration	Marginal		Average	
				Without Partial Integration	With Partial Integration	Without Partial Integration	With Partial Integration
1	2	3	4	5	6	7	8
Illustration I : Aggregate Income Rs 250,000							
200,000	50,000	151,800	177,675	—	—	—	—
190,000	60,000	142,600	170,200	9.2	7.5	9.2	7.5
180,000	70,000	133,400	162,150	9.2	8.1	9.2	7.8
170,000	80,000	124,200	153,813	9.2	8.3	9.2	8.0
160,000	90,000	115,000	145,188	9.2	8.6	9.2	8.1
150,000	100,000	105,800	136,275	9.2	8.9	9.2	8.3
Illustration II : Aggregate Income Rs 150,000							
100,000	50,000	59,800	82,800	—	—	—	—
90,000	60,000	51,175	75,325	8.6	7.5	8.6	7.5
80,000	70,000	42,550	67,275	8.6	8.1	8.6	7.8
70,000	80,000	34,500	58,938	8.1	8.3	8.4	8.0
60,000	90,000	26,450	50,313	8.1	8.6	8.3	8.1
50,000	100,000	19,550	41,400	6.9	8.9	8.1	8.3
Illustration III : Aggregate Rs 100,000							
60,000	40,000	26,450	43,700	—	—	—	—
50,000	50,000	19,550	36,800	7.0	6.9	7.0	6.9
40,000	60,000	12,650	29,325	6.9	7.5	7.0	7.2
30,000	70,000	6,900	21,275	5.8	8.1	6.6	7.5
20,000	80,000	2,875	12,938	4.0	8.3	5.9	7.7

culture. If anything, the scheme may, in certain income brackets, even provide more temptation for this form of tax avoidance.

The scheme of partial integration is, thus, no solution to the problems arising out of the exclusion of agricultural income from the income-tax base. In fact, so long as agricultural income is given a favourable treatment, there cannot be any solution to these problems. The ideal and the only effective solution lies in complete integration of agricultural and non-agricultural incomes where the assessee is taxed on the basis of his total declared income — agricultural and non-agricultural. The tax liability will, of course, be adjusted for the Agricultural Holdings Tax (AHT) paid. This will not only ensure equal treatment of assessee with equal income but will also completely eliminate all temptation to dress up large chunks of non-agricultural income as gains from agriculture. But as this will amount to taxing agricultural income, and since agriculture is a state subject, the scheme can be implemented only if the state governments empower the Central Government to administer and collect his tax on their behalf. Needless to say, the entire additional tax receipt will be distributed among the state governments in proportion to their respective share in the total agricultural income included in the tax base. As the scheme will ensure additional resources to the state governments without, in any way, abridging their constitutional right to

tax agriculture, there is no reason why they should not agree to this arrangement.

However, if the above suggestion cannot be accepted because of possible constitutional/legal restraints, the least that can be done is to amend the scheme of partial integration in such a way as to minimise the temptation to pass off a part of the non-agricultural income as agricultural income. At least two alternatives suggest themselves for consideration.

First, the rateable value, as recommended by the Committee, is a good measure of the average potential productivity of land; so income declared as gains from agriculture should bear some relationship to the aggregate rateable value of the holdings of the assessee. In other words, there should be some sort of a ceiling on the amount of income that can be declared as gains from agriculture, the ceiling being a function of the aggregate rateable value of the holding. Thus, for instance, it might be provided that income declared as gains from agriculture should not be more than, say 200 per cent of the rateable value of the operational holding of the assessee. Declared agricultural income in excess of the ceiling should be treated like non-agricultural income and taxed accordingly. Thus, suppose the aggregate income of an assessee is Rs 250,000, made up of Rs 200,000 of non-agricultural income and Rs 50,000 of agricultural income, and that the rateable value of his holdings

is Rs 40,000. As per the scheme of partial integration, his total income tax liability will be Rs 177,675. If, however, he declares only Rs 100,000 as income from non-agricultural sources and the balance of Rs 150,000 as gains from agriculture, he will be required to pay only Rs 90,275 as tax — a net saving of Rs 87,400. But if the suggestion is accepted, only Rs 80,000 out of the Rs 150,000 declared as agricultural income will be exempted and the balance of Rs 70,000 will be added to his non-agricultural income. His total tax liability will then be Rs 154,100 — a net saving of only Rs 23,575. Under this suggestion, though the rate of return is still high, assessee are legally prevented from taking advantage of it and there is no way of circumventing it. As the additional tax receipt will be on account of the inclusion of agricultural income in the tax base, and since agricultural taxation is a state subject, the state governments will have to empower the Central Government to collect this tax on their behalf. As the method of working out the rateable value suggested by the Committee is rather conservative, their will be very limited scope of masquerading non-agricultural income as gains from agriculture. This measure may, however, go against the enterprising farmers who are, in fact, getting agricultural income much in excess of what is indicated by the rateable value. Such farmers will get penalised for their enterprise and efficiency. The measure may also appear

arbitrary. Moreover, this measure might be attacked on the ground that it is an attempt to introduce agricultural income-tax through the backdoor.

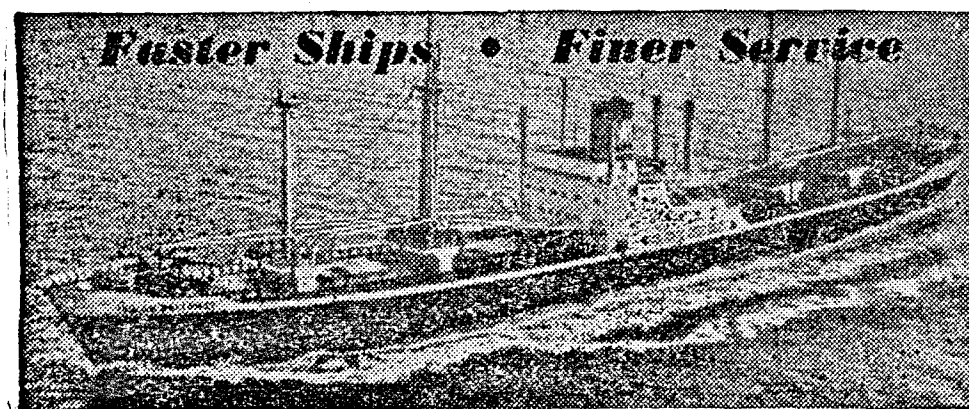
Alternatively, therefore, it may be provided that if income declared as gains from agriculture is much in excess of what is indicated by the rateable value of the assessee's operational holding, the latter may be suitably enhanced and the assessee may be required to pay AHT on the enhanced rateable value. Thus, for instance, if the income declared as gains from agriculture exceeds, say, 150 per cent of the rateable value of the assessee's operational holding, the latter may be enhanced by, say, three-fourths of the amount by which the declared agricultural income exceeds 150 per cent of the rateable value and the AHT should be payable on the revised rateable value. In this way, a very substantial part of what the assessee may gain by camouflaging non-agricultural income as gains from agriculture, he will lose by way of additional AHT. Thus, suppose that the aggregate income of an assessee is Rs 250,000 made up of Rs 200,000 of non-agricultural income and Rs 50,000 of agricultural income and that the rateable value of his operational holding is Rs 40,000. As per recommendations of the Raj Committee, he will have to pay Rs 177,675 by way of income tax and Rs 8,000 by way of

AHT. If, however, he declares only Rs 100,000 as income from non-agricultural sources and the balance as gains from agriculture, his AHT liability remains the same but his income tax liability is reduced to Rs 90,275 — a net saving of Rs 87,400. If however, the suggestion to enhance the rateable value is accepted, though the assessee still gains Rs 87,400 by way of reduction in income tax liability, his rateable value goes up by Rs 67,500 to Rs 107,500 and consequently his AHT liability is raised by Rs 49,780 to Rs 57,780. In this way, the net gain from passing on Rs 100,000 of non-agricultural income as agricultural income is reduced from Rs 87,400 to only Rs 37,620. The balance is mopped up by way of enhanced AHT liability. Under this suggestion though the assessee may still gain by showing a part of his non-agricultural income as gains from agriculture but, as both the average and the marginal rates of return have been drastically reduced, tax evasion through this device may not be a paying proposition.

By way of added justification for such a procedure, it may be pointed out that the rateable value, as suggested by the Raj Committee, is an index of the average potential productivity of land—average of both good and bad years. As such there is hardly any justification for providing any relief during the years

of crop failure. What the cultivators loses during such years, he makes up during years of good harvest. And yet the Committee has suggested that if, in a given year, the average output of a crop/crops in the whole or part/parts of the district/tract is less than half of the norm gross output established, the rateable value of the land sown under such a crop/crops in that year should be taken to be zero. If the rateable value is to be reduced during the year of crop failure, it is only reasonable to suggest that if, during a given year, the average output of crop/crops in part/parts of the district/tract is more than one-and-a-half times the norms of gross output established, the rateable value of land sown under such a crop/crops in that year should be suitably enhanced.

To recapitulate, it has been pointed out that the scheme of partial integration, though well conceived, does not curb the temptation to camouflage non-agricultural income as gains from agriculture. If this temptation is to be curbed, it is necessary to amend the scheme in such a way that what the assessee may gain by way of reduction in income tax liability he loses by way of increased AHT liability. If this is done, it will no longer be paying to camouflage non-agricultural income as gains from agriculture.



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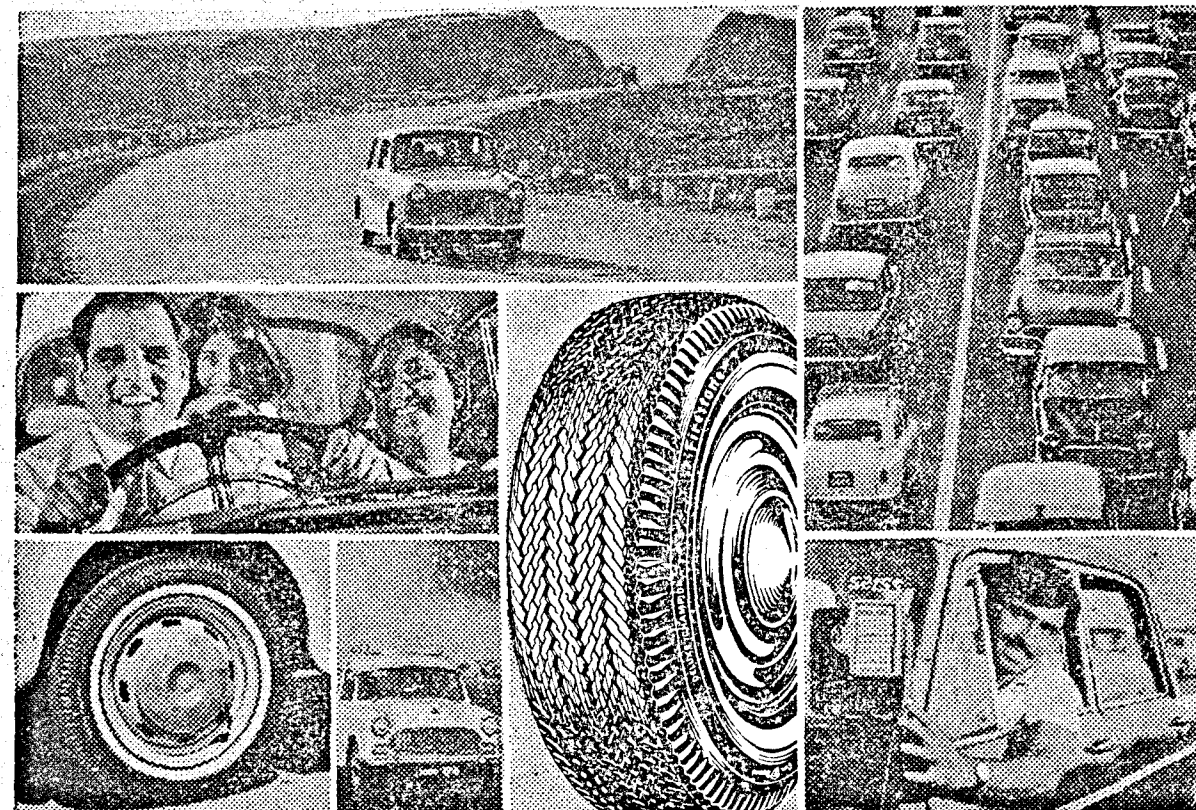
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Printed by Krishna Raj at States' People Press, Janmabhoomi Bhavan, Ghoga Street, Fort, Bombay 400001, and published by him for Sameeksha Trust from Skylark, 284, Frere Road, Bombay 400001.

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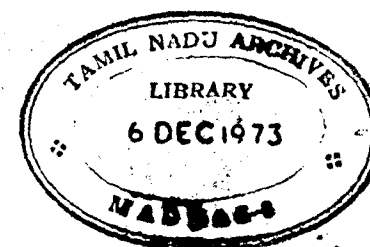
WEEKLY

A Sameeksha Trust Publication

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Vol VIII No 25

June 23, 1979



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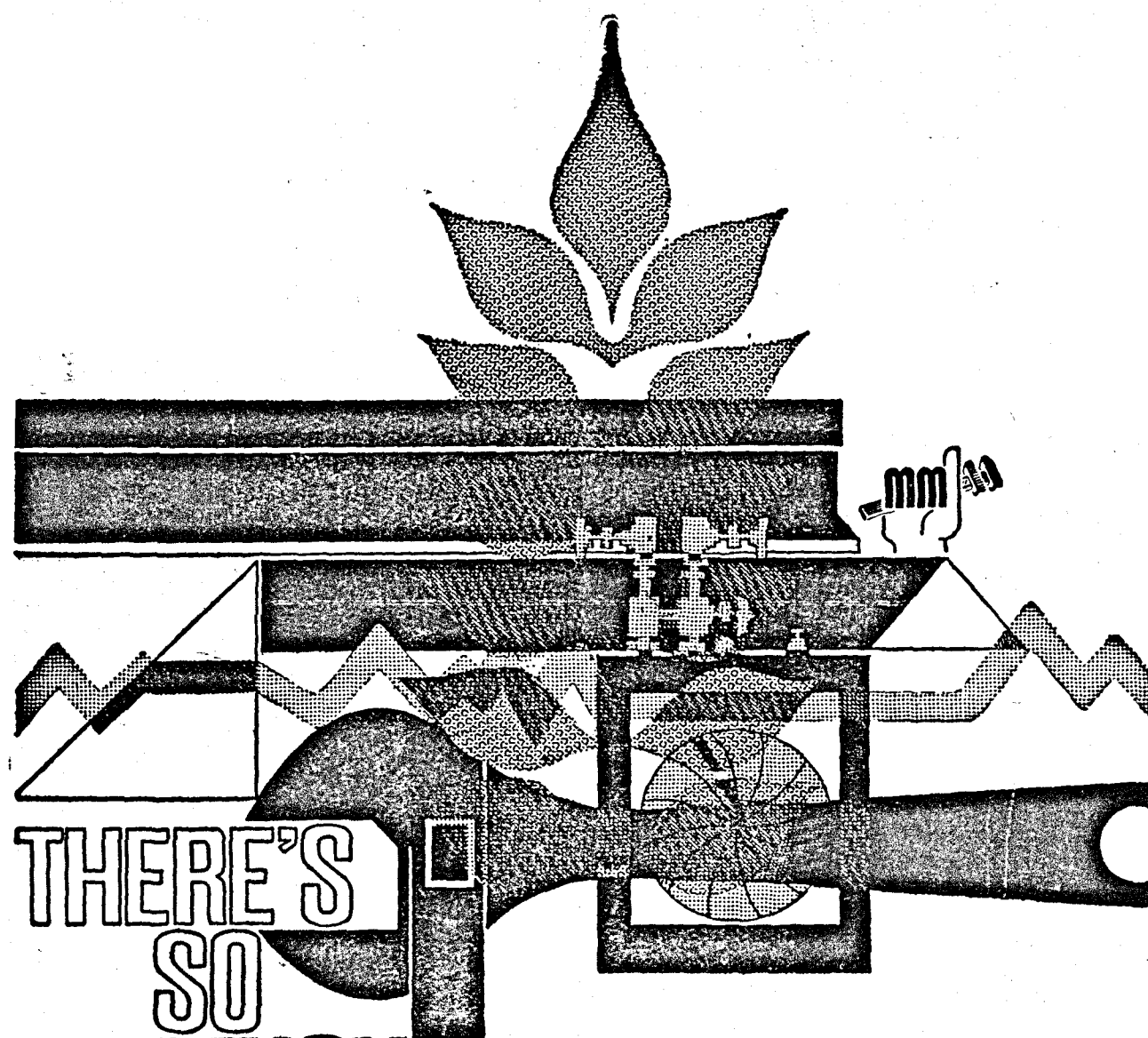
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ECONOMIC AND POLITICAL WEEKLY

Skylark 284 Frere Road Bombay 400 001

Phones 266072, 266073, 266192

Grams Econweekly

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Holidaying in Srinagar

IS this the beginning of the end of the yet-to-be Fifth Five-Year Plan? Two events in quick succession seem to be full of portent. The first was the Planning Minister's admission that the steep rise in prices will, after all, result in a certain trimming of the Plan. To put it in D P Dhar's distinctive prose style, "there will be an element of erosion of the dreams that we had envisaged in the Fifth Plan". Close on the heels of this admission has come the cryptic report that the Planning Commission is considering implementing the Fifth Plan in two phases. The first phase, according to the report, will be concerned with obtaining the maximum results out of investments already made and out of capacities already created; new investment and expansion of capacity during this phase will be largely of the "balancing" type. It is only during the second phase of the Plan that new investment schemes proper will be taken up.

It is true that in his remarks this week to the Consultative Committee of Parliament on Planning — meeting, appropriately enough for the season of the year, in Srinagar — the Planning Minister stoutly denied that there was any move to take up the Fifth Plan in phases. He even went so far as to say that this would only be "a sophisticated version of a plan holiday". Yet only the day before, in an earlier statement to the same meeting, he had dwelt on the importance of phasing projects and programmes, emphasising in that context the growth potential of production capacities already built up. To take his denial too literally would, therefore, be to do less than justice to the Planning Minister's known ability to step lightly away from inconvenient situations. After all, it was only a few weeks ago that he was suavely brushing aside all suggestions that the price rise of 20 per cent or so over the past year would make any difference at all to the Fifth Plan.

Even on the question of the impact of the price rise the Planning Minister remains soothingly vague. True, the size of the Plan might be "somewhat smaller" in real terms than projected earlier; but there was no question of the structure and strategy of the Plan being modified in any "fundamental sense". What is the relationship between the size of the Plan and its structure and strategy? And at what point do cuts in the former begin to affect the latter? Has not the price rise of the last year, the highest ever on record, already taken us beyond that point? It is not merely a question of the rise in prices reducing the real value of the financial investment envisaged for the Plan, but also of the volume of available financial resources being eroded by the proliferation of government expenditures of the patently non-developmental type. For instance, can anyone take seriously any more the Planning Commission's hope that the balance from current revenues of the central and state governments at 1972-73 rates of taxes, available for financing the Fifth Plan will be Rs 7,500 crores (or over ten times the likely figure in the Fourth Plan) over the Plan period?

We have been here before — in the mid-1960s. Not even six months have passed since D P Dhar was pointing accusing fingers at the plan holiday decided upon in 1966 when, conveniently, Morarji Desai was the Finance Minister (though, less conveniently, the Prime Minister and Chairman of the Planning Commission was still Indira Gandhi); it is because the power, steel and heavy industry sectors were then deliberately starved of essential investments that we were now in the throes of economic difficulties; no more Plan holidays; a Rs 50,000 crore Plan for 1974-79. As the author of such brave declarations, the Planning Minister is in a fix. An honest statement to the effect that, in view of the erosion of investible resources as a result of the inflation and given the unwillingness of the government to squeeze the affluent segments of the population, the Fifth Plan will have to be postponed by a couple of years or so is quite out of the question. Hence the recourse to the subterfuge, to be revealed gradually, of a better-ordered Fifth Plan, with the emphasis initially on sprucing up past investments. And, in the meantime, let us have more brave statements — such as that "planning is not an exercise reserved for good years" and that "the imperatives of planned development are greater in the present situation than in an average year". Why, if this were indeed so, has the Planning Commission all but washed its hands of the Fourth Plan? The economic situation could hardly have been worse than it has been in the last two years and yet what has been the Commission's contribution to enforcing "the imperatives of planned development"?

Exercises in evasion and vacuous statements become counter-productive beyond a point. How well the government is succeeding in reducing itself to an object of derision is to be seen from the motions it is going through of formulating a scheme for supplying essential consumer goods, other than food-grains, through the public distribution system. Official bodies have reportedly worked on the scheme for the last 18 months. A committee, presided over by

the Minister of State for Planning is to further discuss the problem on June 27 and 28. No doubt, more such meetings and discussions will follow. Meanwhile, prices of commodities in short supply will go merrily up and up; even such public distribution system for foodgrains as there once was will totter on the verge of collapse; and the scheme to take over wholesale trade in rice will be quietly shelved.

PM Abroad

International Insurance?

THERE is more than an element of comic opera in Indira Gandhi telling an audience of Canadian businessmen about the dangers to the "future of the world" of "exclusive rich men's clubs" at a time when her economic policies at home have made this country ever more dependent on those very rich men's clubs. This allusion to the rapaciousness of the rich countries acting in consort against the poorer segment of the world has been made before by the Prime Minister at several other international gatherings. What is notable, this time, is that both in Yugoslavia and Canada she has emphasised the need for better trade terms rather than for aid. So has the Foreign Minister on his current visits to the Scandinavian capitals. Both have asked the countries they are visiting to import more Indian products.

This ties in with current trends within the Government of India to integrate the country even more firmly into the international capitalist framework. As the economy shows no signs of perking up with the aid of socialist slogans, one of the plausible alternatives — as seen from the government's point of view — is greater foreign investment and collaboration. The requests for better trade terms are a prelude, perhaps, to offering a more attractive investment climate to those very "rich men's clubs" which Indira Gandhi has dubbed "harmful" in her Toronto speech. Behind the Canadian visit there is also, of course, the unstated but nagging fear that the government may need to import many more million tons of wheat than it has so far made provision for. The Canadian Foreign Minister has, however, blandly stated that the international wheat situation is so tight that Canada may have no wheat to spare.

Another likely reason for these visits is the growing realisation that India is being taken for granted — or even ignored — by the two great powers, the US and the Soviet Union, and also by the two other major powers, China

and Japan, in their global jockeying for advantage or understanding. The recent large-scale shipments of American arms to Iran along with the continued US backing given to Pakistan, without bothering about Indian sensibilities, is a case in point. It has also, probably, been noticed in New Delhi that while the Soviet Union continues to provide military and other supplies to India it has not chosen to alienate either Pakistan or Iran. This concern about the manoeuvres of the great powers was made amply clear by Indira Gandhi in her speech at a joint session of the Canadian parliament: "The arming of small nations by big powers... continues in the name of maintaining regional balance. It is a fallacy to believe that the induction of arms from outside can promote stability, for it invariably encourages those militaristic elements who have little use for democratic and peaceful solutions. This is why we protest against the continued arms aid to countries in our neighbourhood and regard it with grave concern."

Faced with the 'unreliability' of the big powers, an attempt to improve relations with as many friendly, second-rate powers as possible could be an important motive for these visits, particularly as Canada and Yugoslavia admirably fit the bill of being cordial, second-string countries. Indira Gandhi expressed this feeling in the same speech by stating that the only safeguard against big power hegemony was for the small nations to stand together and help one another on as wide a scale as possible. She added in a self-righteous tone: "Countries like Canada and India which have no territorial ambitions, no economic empires to protect and no ideologies to export can take a less self-regarding and more far-seeing view of international affairs." What she could not, of course, say is that her visit to Canada is very much part of a self-regarding policy to insure — to however limited an extent — her government against the pressures that have built up at home as a result of her dithering domestic policies.

Banking

Mass without Weight

NEVER perhaps in the history of banking in India has such a mass of printed statistical data been made available as the Reserve Bank has done in the past year or so. Besides the special tables on banking statistics published in every issue of the Bank's monthly *Bulletin*, there have been special supplements, such as the one issued with the October 1972 issue of the *Bulletin*.

There have also been a series of voluminous press handouts based on these statistics. In all of these, the Reserve Bank's major preoccupation appears to have been to satisfy the government's need for publicity regarding the post-nationalisation achievements of banks. As a result, the Reserve Bank and the government have been content with data on mainly three aspects of the banks' operations: spread of bank offices, priority sector advances, and total deposit mobilisation and credit expansion. Every time an impressive array of tables have been compiled covering these three aspects, disaggregating the data centre-wise, region-wise, state-wise and sometimes even district-wise.

The latest issue of the Bank's *Bulletin*, for April 1973, carries a 260-page supplement on banking statistics. This improves upon the Bank's past performance in respect of the volume of data presented; some fresh ground is also broken in regard to the content of the data. Almost for the first time, industry-wise classification of outstanding credit with many break-downs — by regions, states and even districts; by private and public sectors; and by purpose of finance — is presented. These are all based on the now-defunct uniform balance book (UBB) survey for June 1972. The survey was introduced as early as in 1965 and bank branches were expected to furnish the prescribed returns every month. However, what we now have are data on industry-wise distribution of credit for one single period without any comparative figure for earlier periods. According to the Reserve Bank, "a major handicap in compiling banking statistics is the lack of complete response from banks. Could this not owe something to the fact that the Reserve Bank itself has shown lack of seriousness in ensuring the flow of statistical returns from bank branches, in the tabulation of the data thus collected and in using them in a planned manner in the different departments of the Bank? The Banking Commission's observations on the subject confirm this suspicion (see pp 320-3 of the Commission's report). There have indeed been few analytical studies of the Reserve Bank in the last few years of the dimensional and structural changes that are taking place in banking and monetary spheres. A good deal of data used to be obtained from the banks and processed, tabulated and published by the Bank in the past; but not only has the scope of these data not been widened but often their presentation lacks continuity as well. Similarly, the distribution of advances and interest and security pattern have

important implications for policy-making, but hardly any data on these aspects have been published in recent years. Likewise, data on debits to deposits, to indicate the turn-over of deposits — something analogous to the transaction velocity of deposit money — have not been seen since 1966. Is it too much to hope that with a new Committee of Direction and Banking Statistics functioning in the Reserve Bank, things will improve?

Hitherto, the Reserve Bank's data on wider banking problems have been analytically useful, quite a few of them have been so by accident. This is because by and large the data have been compiled in a mechanical manner. Take, for instance, the data on advances against sensitive commodities published in the latest Supplement (Statement 10, p 114). Almost all the commodities considered are seasonal ones and the peak level of credit against them is reached somewhere in the busy season (November-April). The data published, however, relate to the last Friday of June 1972. Not surprisingly, they show that only 11.2 per cent of total bank credit was being accounted for by these commodities. Besides, such important commodities as sugar and sugarcane are missing from the list. Also, since this statement has been compiled from the 'security' code of the UBB proforma, it would have been worthwhile to publish data for other securities such as industrial commodities, gold, shares, unsecured loans, etc.

Likewise, the Supplement claims to present for the first time "a combination of ... regional and sectoral flow of credit", without pointing to a major drawback of the data, viz, that the region-wise, state-wise and district-wise data are based entirely on the location of bank branches and not on the location of the borrowing parties. Thus New Delhi accounts for 58 per cent of the total bank credit going to the 7 states and union territories of the northern region, Bombay for 80 per cent of that in the western region and Calcutta for 84 per cent of that in the eastern region. What is more, Calcutta also accounts for 90 per cent of the credit given for agriculture and allied activities in the state of West Bengal and Bombay city, similarly, for one-third of total agricultural credit in Maharashtra! Here it must be mentioned that in the new system of Basic Statistical Returns (BSR) No 1, a code for 'location' of the borrowing parties has been included.

These issues apart, even taken as they are, the data published by the Reserve Bank leave much to be desired from the viewpoint of reliability and

comparability. Take, for instance, the practice of obtaining a series of special returns for "priority sector advances", including the state-wise break-up of such advances, directly from the banks' head offices. The Banking Commission had warned that while obtaining returns from the head offices did obviate "much of the difficulties and labour inherent in the compilation of branch-wise returns ... the gain is apparent rather than real" (p 325). In some cases at least the head offices' approach to furnishing detailed returns may not have been very different from that of the children's puzzle which goes "think of a number, double it ...". According to the UBB survey for June 1972, direct finance for agriculture granted by all 82 scheduled commercial banks together amounted to Rs 213 crores (pp 50 and 111 of the Supplement) whereas for the same month the public sector banks' special returns on priority sector credit places direct finance for agriculture by only the 22 public sector banks at Rs 232 crores (*ibid*), (p 11). Neither any conceptual differences nor non-reporting by about 15 per cent of the bank offices in the UBB survey can explain this discrepancy. Besides, similar special returns data published in the October 1972 issue of the *Bulletin* had placed the figure of direct agriculture finance at Rs 224 crores at the end of April 1972 in respect of 34 scheduled commercial banks as against Rs 232 crores for only 22 public sector banks at the end of June 1972. In fact the June figures should show a decline in direct lending to agriculture if the over 50 per cent recovery of agricultural credit reported by public sector as well as other banks (statement 13 of Supplement) is true.

The misgivings about collecting special returns data from the head offices of banks apply not only to priority sector advances but also to BSR No 3 in respect of sensitive commodities which will henceforth be furnished entirely by the head offices, especially since the practice of collecting security-wise data has otherwise been completely dispensed with. The practice of collecting special returns on advances to the priority sectors could be dispensed with and instead BSR-1, covering bank advances, could be converted into a quarterly return with the introduction of a 'security' code.

More Branches, but...

AS one has come to expect by now, the most hopeful feature brought out by Reserve Bank's latest Supplement relates to the increase in the number of bank offices. In the first three-and-a-half years after bank nationalisation, 6,477

new bank offices were opened, raising the total number of bank offices from 8,262 in July 1969 to 14,730 in December 1972. There is no doubt that the regional distribution of bank branches has also improved very considerably. However, against this record of branch expansion, the performance in respect of dispensation of credit to the priority sectors is all the more disappointing. In July 1969-June 1970, the first year after nationalisation, about 50 per cent of additional credit went to the priority sectors, but in the subsequent two years, 1970-71 and 1971-72 (July-June), the proportion dwindled to 27 per cent and 29.9 per cent, respectively. As a result, the share of the priority sectors in the total advances of the public sector banks, which had increased from 14.9 per cent in June 1969 to 21.3 per cent in June 1970, stagnated at 22 per cent and 22.9 per cent in June 1971 and June 1972, respectively. Actually, even these averages are misleading, because in both 1970-71 and 1971-72 the growth in total bank credit was very slow on account of the slack demand for credit from the industrial sector. The scheduled commercial banks' credit-deposit ratio declined from 79.9 per cent in June 1970 to 71.5 per cent in June 1972. Had the banks' credit-deposit ratio been maintained at about 80 per cent, the priority sectors' share in total credit would have shown a decline.

The contribution of the new bank offices opened after nationalisation to the growth of deposits and advances needs to be noted. The 4,615 reporting new branches contributed Rs 548 crores or 19 per cent to the growth of Rs 2,878 crores in bank deposits between July 1969 and June 1972; their share of the growth in advances was 15.5 per cent (Rs 278 crores out of Rs 1,778 crores). Of the deposits mobilised and credit granted by the new branches, about 30 per cent in either case was by branches in the northern region which accounted for only 16 per cent of all the new branches opened after nationalisation. In fact, even in the total deposits of all rural bank branches (Rs 459 crores), the northern region accounted for 26 per cent (Rs 120 crores); the proportion of rural branches in the region to the total number of rural branches is about 18 per cent. This does seem to suggest that the agricultural prosperity of the region has not entirely by-passed the commercial banks.

The growth of advances of the rural branches has been slow in relation both to the growth of total advances of banks and to the growth of deposits of the rural branches. The rural branches'

deposits rose by Rs 459 crores and their advances by only Rs 191 crores. The banks are organisation-wise and attitudes-wise ill-suited to be the instruments for meeting the credit needs of the small farmers. As for the large farmers, they are the beneficiaries of official financial bounties in so many forms that their need to rely on commercial bank funds, on commercial bank terms, must necessarily be limited. Those who look at the credit-deposit ratios of the rural branches of commercial banks and rush to charge the banks with siphoning off resources from the countryside to bolster up the prosperity of the metropolitan centres forget that today between Rs 600 and Rs 700 crores (Rs 601 crores in 1971-72 and Rs 690 crores in 1972-73, to be exact) are being pumped into the agricultural sector annually as medium term and short term credit. In addition, land development banks give about Rs 200 crores (Rs 178 crores in 1971-72 and Rs 190 crores in 1972-73) in term loans. And all this is in addition to the pampering of the landed gentry in the form of high prices for farm products and low prices for inputs, including low irrigation rates, and virtual exemption from all direct taxation.

Data presented in Statement 9 of the Supplement brings out that commercial bank credit to the public sector accounts for a significant proportion of total bank credit — 15.7 per cent at the end of June 1972. This proportion was 9.7 per cent in June 1969, according to the Reserve Bank's Annual Report for 1969-70 (p 23). In absolute terms, credit to the public sector increased from Rs 351 crores in June 1969 to Rs 830 crores in June 1973. The public sector's share is likely to have increased further in the last busy season. Though a part of this credit is for the commercial and industrial activities of the public sector, the state governments have been systematically trying to replace budgetary finance by bank finance. In other words, despite the stoppage of overdraft facilities from the Reserve Bank, the expansionary influence of state governments' borrowings, now indirect, on money supply continues. This is openly recognised in the recent decision to extend the scope of the Reserve Bank's credit authorisation scheme to loans to the public sector. However, judging from the ineffectiveness of the credit authorisation scheme in imposing financial discipline on private sector borrowers from the commercial banks, it is a moot point whether its extension to the public sector will serve any purpose.

United States

Constitutional Trap

A Correspondent writes:

INCREASINGLY ugly revelations about the shenanigans the staff of the White House, including those closest to President Nixon, had indulged in, stare Americans in the face. The cumulative evidence may just fall short of linking the President himself with either the illegal acts or the subsequent attempts to cover them up. This, however, would be a mere technicality; the moral responsibility for the outrages committed by his closest confidants cannot escape the President.

A man with a greater scruple for the observance of public morality would perhaps have resigned from office. Broad and thick hints have been thrown in President Nixon's direction, but he has refused to take them and fade away. He, most certainly, does not believe in voluntary abdication. He has decided to 'fight back', as his latest statement phrases it, to fulfil the mandate which the American people so overwhelmingly gave him last year. That this mandate would probably have been altogether otherwise in case some of the things that are known now were known about this time last year is a thought which apparently does not disturb him.

In case President Nixon does not remove himself, the alternative would be to impeach him in the House of Representatives and, if the motion of impeachment is carried there, to have it ratified in the Senate by a two-thirds vote. In their present mood, and particularly in case public opinion polls suddenly indicate a sharp swing against the President, a resolution of impeachment might indeed pass the two wings of the Congress. The real problem would, however, arise right there. Under the American Constitution, whatever the circumstances in which the President is removed, the Vice-President is to succeed him. To vast numbers among the general public as well as to the leaders of the two main parties, the present incumbent, Spiro Agnew, would seem to be an even more undesirable specimen than the debased Nixon. Irrespective of whether the Vice-President too was involved in the shady doings of Watergate and their aftermath, Agnew, it is widely held, would be an even greater disaster as President. Supposing the Congress were to remove both the President and the Vice-President, or supposing both individuals decide to resign following an avalanche of public pressure, the Presidency in

terms of the line of the succession laid down, would then pass on to the Speaker of the House of Representatives. The incumbent in this position, Carl Albert, again according to nearly everybody, is not of presidential timber.

This then is the nature of the crisis confronting the American nation. To tolerate Richard Nixon as President for even another day may be an excruciating thing, but the alternatives may be equally uninviting. There is no provision under the Constitution whereby a particular Presidential election could be declared void and a fresh poll arranged. The Americans, therefore, will have to make do with the present mess. Even were the circumstantial evidence of the President's direct involvement turned out to be overwhelming, there could be a collective urge to turn the other way. This would not diminish the dimension of the tragedy; it would in fact aggravate it. For the majesty of the Presidency would disappear; perhaps it has already disappeared. The Americans would, for the next three and a half years, live with the knowledge that they have as President one who has been incriminated in run-of-the-mill criminal offences, burglary, bribery, cheating, lying and all that. They would live with the knowledge that the rest of the world is mocking at them and at their moral pretensions. They would live with the knowledge that they have to endure a President only because, thanks to the quirks of the Constitution, they have no means of despatching him to the ignominy which he richly deserves. One consequence could be a checkmating of the American initiative in the international sphere, and a setback to the kind of cautious bilateral scaffoldings Henry Kissinger has been persevering with.

Considering that in the post-World War II period, most of the dis-equilibration in international affairs has stemmed from the stirrings of American dogma, Watergate could thus emerge as a blissful outcome for the rest of the world. The possibility of course remains that a Nixon at bay on the domestic front might attempt, as a diversionary manoeuvre, to foment newer Vietnams elsewhere, for example, in Cambodia or Chile. But the probability seems to be meagre: The Americans are providing every indication of being overburdened by the weariness of it all. In their present frame of mind, given another false move on the President's part, they could even come round to getting rid of him however droll the consequences of the action might be.

Parliamentary Process

Growing Irrelevance

A Correspondent writes:

THE long budget session of Parliament has ended: the members have dispersed, glad to get away from New Delhi's merciless summer. Such sessions come and go, but do they really make a difference to the manner of functioning — or non-functioning — of the Indian polity? The Congress has an overwhelming majority in the Lok Sabha, and a comfortable one in the Rajya Sabha. We continue to call ourselves a parliamentary democracy; we therefore go through the formalities of cut motions, call attention notices, finance bills, select committees, public accounts committees and so on; occasional motions of adjournment are supposed to provide the leavening. Each of these is now reduced to a ritual. A Jyotirmoy Bosu or a Madhu Limaye may create sudden flutters; their performance too, however, is soon reduced to a predictability.

It is as if everybody is going through a written, rehearsed script: even the shouting and the epithet-mongering have a canned quality about them. There is a procession of nibbling issues succeeding one another: Maruti, the supersession of Supreme Court judges, the rampant price increase, the failure of the take-over of wholesale trade, the government's decision to hug the emergency for ever, detentions without trial, and so on. But since, in each case, the finale of the debate is pre-ordained, listlessness marks it all. Many Cabinet ministers are found to be away from the House even when discussions concerning their portfolios are going on. Attendance is invariably thin. The question hour is converted into a symbolic occasion: answers are sought not to lay bare the essentials of an issue, but merely because, in their absence, a deeper ennui would spread over everything. Beyond a point, members of the opposition groups cannot succeed in extricating themselves from the pervading cynicism either.

Formally it is still a parliamentary process, but the scaffolding is almost entirely that of a presidential system. A presidential system has its strengths, but also its weaknesses as are being currently demonstrated in the United States. The rules of the game at any rate are different. While at some point of time presidential powers may expand disproportionately and put into shade the other wings of the government, the built-in checks and balances soon res-

tore the equilibrium. No such self-correcting mechanism is however likely to be available if a parliamentary system itself is subverted, surreptitiously or otherwise, into the presidential form. For then, the *de facto* president himself or herself can claim to represent the legislative wing and thus combine in him or her the writ which should accompany the exercise of both executive and legislative wills. In this circumstance, the judiciary could well be reduced to playing a minor, annotative, conformist role, as is being borne out by certain rapidly surfacing symptoms. In terms of formal arrangements, it may continue to appear that parliamentary democracy remains the untrammelled queen, but the corrosion taking place everyday could soon result in a situation where the government could not care less for the susceptibilities of either Parliament or the judiciary. In the process, little local difficulties may arise; but the executive would be armed with enough weaponry to take care of such stray accidents.

This could amount to an almost absent-minded slide to quasi-authoritarianism. Given mass illiteracy, lack of coherently organised political groups, and the advantage which a ruling group possesses of being able to pick and choose and exploit emotion-charged populist slogans, organising a victory at general elections at five-yearly intervals may not involve a great deal of strain. From then on, everything else could be taken for granted. Parliament as a forum for ventilating grievances and mirroring popular aspirations may run the danger of losing its profession. The judiciary too could find itself totally hamstrung. If widespread discontent wells up among the people, there would then be no ready outlet for it. Since parliamentary catharsis would be ruled out, over the long run the inclination for extra-parliamentary stratagems may develop. Some of the happenings currently taking place round the country suggest that the empirical correlates of the forebodings are almost already knocking at our doors.

Powerlooms

Workers, the Worst Hit

Our Maharashtra Correspondent writes:

THE Union Government's Textile Commissioner as well as spokesmen of the Maharashtra government have been claiming that powerlooms in Bhiwandi, 50 km from Bombay, will "soon" get their requirements of yarn. Yet all the yarn that the powerlooms in Bhiwandi

have got in the entire period of the last two-and-a-half months would have been enough to run the looms on a two-shift basis for just two days.

Like Ichalkaranji in Kolhapur district, Bhiwandi is one of Maharashtra's large powerloom centres. According to official estimates, there are 33,000 authorised powerlooms in Bhiwandi and over 10,000 "unauthorised" ones. There are, besides, about 10,000 art silk looms. Nearly 50 per cent of the looms are owned by so-called "master-weavers", who supply yarn, finance and know-how and also look after the marketing of cloth and employ weavers to work the looms. Each of these "master-weavers" owns between 50 and 100 looms. A large number of the remaining looms are owned by a few local "giants", who own as many as 500 to 1,000 looms each, and by millowners from Bombay. Finally, there are the small loom-owners, with two to eight looms each, who themselves operate the looms with the help of their families.

Powerlooms in Bhiwandi work two 12-hour shifts. There is little information about the application of the state government's labour laws to those who work the looms. As for the 12-hour shift, the answer one usually gets is that powerloom workers have been traditionally used to working such long hours. If we take the number of powerlooms at 43,000, including both authorised and unauthorised looms, but excluding the art silk ones, with one worker looking after two looms in his 12-hour shift, the total number of workers employed on the looms would be about 43,000. There are, in addition, thousands of workers employed in ancillary industries dependent on the powerlooms. There are, for instance, over 7,000 workers employed on sizing machines and approximately 10,000 handcraft workers.

At present only 8,000 to 10,000 looms are working in Bhiwandi. These are mostly those which are owned by a few large loomowners and by millowners from Bombay. The latter get their supply of yarn from their affiliated composite mills. The rest of the looms have been practically shut for the last two-and-a-half months. The people who have suffered the most on account of the yarn shortage are the small loom-owners and the workers employed on looms owned by the "master-weavers". Also badly affected are those employed in the sizing units and the handcart drivers and others engaged in the ancillary industries. Over 25,000 weavers are estimated to have lost their employment in the last

two-and-a-half months, not counting the thousands of other workers employed in the ancillary industries. Bhiwandi's powerloom workers come mostly from Uttar Pradesh and Andhra Pradesh and a large number of them have left for their villages.

The yarn crisis in Bhiwandi followed on the heels of the imposition of control on the distribution of yarn by the Union Government in February last. When news of the Union Government's intention to impose control spread, the millowners raised the prices of yarn steeply, even though from August 1972 there was supposed to be in existence a voluntary yarn price control.

Powerlooms in Ichalkaranji have not suffered on account of the yarn shortage because loom-owners there have their own spinning mill, the Deccan Co-operative Spinning Mill, which has enough spindleage not only to cope with the yarn requirements of the local powerlooms but also to supply yarn to other powerloom centres in the state. Besides, in Ichalkaranji co-operatives of weavers own processing units whereas powerlooms in Bhiwandi have to sell grey cloth to merchants in Bombay and in the towns of Saurashtra for processing and printing.

Maharashtra has over 13 co-operative spinning mills, owned by cotton producers. Where has the yarn output of these co-operative mills disappeared? It was known by December last year that a yarn crisis was in the offing following the power shortage in Tamil Nadu. But the government woke up only this April after the handloom weavers of Nagpur and the powerloom weavers of Malegaon had started to agitate about the non-availability of yarn. The state government sought to persuade the Tamil Nadu government to supply yarn in exchange for electric power. The deal was, however, put out of gear by the control on distribution of yarn enforced by the Central government. The state government also froze stocks of yarn with mills in Bombay and imposed restrictions on the sale of yarn by the state's co-operative spinning mills. The steps came too late in the day and were ineffective.

Such supplies of yarn as are trickling through the state government's distribution machinery to the small loom-owners in Bhiwandi are insufficient to enable them to run their looms economically; the yarn is, therefore, being sold to the big weavers, who buy it at a premium. The "master-weavers" are doing the same, since they are not sure that the cloth merchants will lift their output at the high prices which alone will make

it worthwhile for them to buy yarn at a premium in the open market. The other problem the small weavers face is that of credit. Traditionally they used to get their yarn on credit extending from one to two weeks. With the yarn shortage, no yarn is to be had on credit. At the same time, neither the nationalised banks nor the state government has made any alternative arrangements for extending credit to the small weavers.

CENTO

Becoming a Regional Entity

THE kingpin of the Central Treaty Organisation is Iran, and more specifically, the Shah of Iran. Its progenitor was the Baghdad Pact. But then a coup by Brigadier Kassem in 1958 had removed overnight the feudal regime of King Faisal and his mentor, Nuri al-Said. And the name of the Pact had also to be changed overnight. At that time the United States and Britain had regarded Nuri al-Said as their stabilising trump-card in the region. Now Reza Pahlavi fits that role. Times have changed though. The Cold War is over and the Soviet Union is no longer regarded as a direct military threat by the Western powers and after their rude experience of colonial struggles these powers are wary of making commitments which could draw them into local wars or long drawn-out anti-guerilla operations. This partly explains why the Foreign Ministers of the United States and Britain are most reluctant to redefine the role of CENTO as urged to by Iran and Pakistan. The latter two countries would particularly like the redefinition to take into account the 'new threat to security' posed by the Soviet Union's treaties with India and Iraq and by the spread of insurgency movements in the Gulf and Baluchistan. Britain and the United States have shied away from making any definite commitment to counter these threats by their own military presence.

The United States, involved in a wide-ranging *detente* with the Soviet Union, has no reason to build up an atmosphere of big power confrontation. Yet, it is worried about the potential instability of the region, particularly the smaller Gulf states, and the security of its oil supplies. Faced with these constraints and compulsions, Washington has once again resorted to its classic gambit — arming the strongmen of the region, in this case Reza Pahlavi of Iran and King Faisal of Saudi Arabia. The huge arms pur-

chases by Iran and Saudi Arabia also help to keep the US armaments industry in good spirits and to even out Washington's balance of payments. In these calculations, Indian sensitivities matter little as Washington has a fairly shrewd idea that while Delhi may be dependent on Moscow for military supplies and diplomatic support, it is only the United States which can provide substantial economic aid and foodgrains. The Government of India's dithering economic policies which have conspicuously contributed to India remaining bound to the United States are also thus partly responsible for this country's lack of manoeuvrability in foreign relations. China also realises this and sees no reason to improve its ties with India. At the same time Peking has maintained a discreet silence over the Iranian-Pakistani attempt to revamp CENTO as it would not be unhappy to see Moscow discomfited. It would, however, be misreading the situation if it thought that the Iranian-Pakistani initiative is directed against Moscow. The Pakistanis and Iranians have no intention of alienating a neighbouring super power, but they do want Moscow to tone down its support for India and Iraq.

Pakistan is particularly fearful of Soviet military supplies to India and finds that Iran, within the framework of CENTO, is likely to be its only open supporter in the event of another conflict with India as Teheran would not like the further disintegration of the only buffer state which separates it from the formidable military power of India. That is why the renewed interest of Islamabad in CENTO after a break of many years. This is also a clear indication of CENTO becoming much more of a regional entity than it was when the Western powers backed it as a bulwark against Soviet expansionism. It is the regionalisation of CENTO which should cause anxiety in Delhi as it could so easily become an organisation confronting India.

Calcutta Police

Another Big 'Catch'

A Correspondent writes:

THE neurotic state which the police and administration in this part of the country have worked themselves into over the activities of so-called Naxalites and over the possibility of Naxalite groups receiving guidance and help from China gave rise recently to what seems almost certainly to be a farcical incident, though it is not yet seen as

such by those involved in it. The Calcutta police recently let it be known to local journalists that they had nabbed a Calcutta University student who had in his possession what the police thought was a vital, top secret communications from the Chinese Communist Party to the East Pakistani Communist Party (Marxist-Leninist). This document was deemed particularly important because it was thought to represent the CCP's latest thinking on revolutionary movements in the Indian subcontinent. The CCP and the Chinese mass media, it will be recalled, have been rather quiet about the CPI(ML) after finding that their lyrical references in 1970 to its activities were rather less than justified by the facts of the case. The Calcutta police, therefore, regarded the document as giving valuable clues about the CCP's attitude to the CPI(ML) itself. Hence their sense of triumph over its seizure and the arrest of the young man in possession of it. They are reported to have informed the state's Chief Minister himself about their catch and shown him the priceless document. Incidentally, Siddhartha Shankar Ray's reported response to his minions' achievement is interesting in itself. He is said to have remarked, as he leafed through the document and put it down: "Well done, indeed...what, by the way, is the EPCP(ML)?"

Judging by what has been leaked out about its contents, the document appears singularly unprepossessing. Much of it seems to consist of such unexceptionable generalities as that it was important for the EPCP(ML) to build a "sound ideological basis" of the party or that "the nonsense of peaceful transition is counter-revolutionary ... it is the road to surrender". The document specifically recommends three articles by Chairman Mao for study. These are: (1) "On Introducing the Communist", (2) "The Chinese Revolution and the Chinese Communist Party" and (3) "On New Democracy".

What makes the document even less remarkable is the very strong possibility that far from representing the latest Chinese thinking on any subject it is in fact a communication sent by the CCP to the EPCP (ML) as far back as 1969. And what makes the Calcutta police's crowing over the seizure of this "document" positively farcical is the fact that excerpts from it were actually printed in the *Far Eastern Economic Review*, the Hong Kong weekly, in its issue of December 16, 1972. Indeed, it is not to be ruled out that what the police have got hold of is not even the full text of the hoary communication from the CCP but a copy of the excerpts from it published by the *Far Eastern Economic Review*!

LETTER TO EDITOR

Voltas Lock-Out

IN the Companies column of your issue of May 19 (p 893), you have dealt with Voltas, wherein you have made certain statements about the workers of the company, misrepresenting the facts as they are.

It is not true that on March 28, 1973 the workmen "gheraoed" Company officers at the Thana factory. On that day the Company issued suspension orders to 13 union activists for carrying out normal trade union activities. This act of the management was just one more vindictive move against the workmen after 45 days of lock-out at its registered offices and sales offices at Ballard Estate. The workmen at Thana went to see their departmental heads in deputation, requesting them to withdraw the suspension orders and to lift the lock-out. The workmen had even previously been meeting the management to explain to them their grievances. On March 28, 1973, the management had made prior arrangements for heavy

police protection. About 12 lorries full of police were present at the factory site, accompanied by the Magistrate who was authorised to give orders to shoot at sight. In spite of such grave provocation, the Union leadership kept the situation under control. The workmen were further provoked by being told by the management that on March 29 the Company had planned to lock out its 2,500 workmen at Thana. Even in such a tense situation, the workmen left the factory in an orderly and peaceful manner. The employees went in deputation to the factory authorities and requested them to clarify the information about the lock-out, which the management refused to do. No officer of the Company was "gheraoed" or was restricted from moving out freely, and, therefore, there was no occasion for the police to "rescue" the officers. This fact can be ascertained from the police authorities themselves. The Union has reasons to believe that

the Company had planned to lock out the establishment well in advance of March 29, which accounts for the heavy police protection on March 28 itself. Thus, it is clear that the lock-out has not come as a result of 'forcible restraint' of officers or 'work-to-rule' by the workers but is a preplanned move on the part of the management to render unemployed more than 2,500 employees who were demanding that the lock-out at Ballard Estate should be lifted.

The union and the All-India Federation have in fact proposed that normalcy should be restored and the outstanding issues should be discussed in an atmosphere of cordiality. This proposal has been turned down by the management. The management had earlier accepted in principle that a joint committee, consisting of management's and workers' representatives should be set up to decide as to what operations should be computerised. The Bombay union's demand for removal of ceiling on DA was also pending around this time. Taking advantage of this factor, the Company went back on its assurance to set up a joint committee and linked the DA problem with the issue of computerisation, hoping that the union would give up its demand for a joint committee, in exchange for a little more DA. The union's stand on the use of Electronic Data Processing coincides with the guidelines issued by the Maharashtra government and the recommendations of the Committee on Automation headed by V M Dandekar set up by the Central government. The Committee recommended that the consent of the recognised union must be obtained before any EDP can be introduced. The management has refused to abide by these recommendations and has flouted them by surreptitiously introducing the system of EDP without the knowledge of the union and the government. Voltas have rendered 4,000 workers unemployed in an attempt to break the recognised union, hoping that by prolonging the lock-out the Federation will succumb and give up its demand for a joint committee on EDP. The lock-out has now continued for more than 110 days. The union feels sure that all problems can be settled amicably if the management lifts the lock-out and restores normalcy. The management has only itself to blame for any alleged loss of profits.

V NADKARNI

General Secretary,
Voltas and Volkart Employees Union,
Bombay.

COMPANIES

Tax-Payer, at Last

Hansavivek

HINDUSTAN ALUMINIUM experienced notable contraction of margins during 1972, despite slightly higher production and sales. With the company attracting tax liability for the first time, profit at the net level was sharply down, but dividend was maintained at 12.5 per cent "to keep up the morale of the investment market". Profitability was impaired on account of increases in costs of raw materials and power. The company has approached government for revision of selling prices and asserts that without immediate revision "the industry cannot survive". The case regarding the threat of the UPSEB to cut power supply to the company's plant was decided by the Allahabad High Court in favour of the company. Cases relating to additional power supply in case of emergency shutdown of any of the units at Renuagar and also that of the one paise duty on self-generated power are pending before the Court.

The company completed its first stage of expansion about the middle of last year, raising installed capacity by 15,000 tonnes to 95,000 tonnes per annum, but the expanded capacity has been lying idle owing to UPSEB's refusal to supply power. The rest of the expansion programme to increase capacity to 1,20,000 tonnes is under implementation. The management complains that the UP government, in spite of its commitment to supply power at about 4 paise per unit, has now quoted 7 paise per unit, which is a "completely uneconomical rate" for the production of aluminium. The Central government has constituted a committee to determine the rate at which power should be supplied for this expansion. It is also stated that all other aluminium producers are getting power at about 2 paise per unit and that since an increase of 1 paise per unit means an increase in the cost of production of the metal by Rs 200 per tonne, no produ-

cer can retain his competitive capability if he has to pay a considerably higher rate for power than the others. The management believes that the government is contemplating fixation of a uniform power rate applicable to the entire aluminium industry in the country. Meanwhile, the government has permitted the company to instal a 110 MW thermal set for permanent supply of power for the expanded capacity, and has also asked the company to submit a proposal for installing a generating set of a higher capacity so as to be able to release the 55 MW of power being supplied by UPSEB. The company has, accordingly, submitted a proposal to instal a 250 MW bleeding turbine. HINDALCO has been also asked to reduce production of properzi wire rods from 22,000 to 12,000 tonnes which, according to the management, will affect conductor manufacturers in the small-scale sector, who do not have facilities for converting ingots into wire rods. The company's application for additional capacity for fabricated items, corresponding to the increased licensed capacity for primary metal, is still pending with the government.

been refused permission to expand capacity from 30,000 tonnes to 50,000 tonnes on grounds of uncertainty of alcohol supplies, but it has been issued a 'letter of intent' to produce nitrile rubber, a new product, to the extent of 2,000 tonnes per annum. Commercial production of this item is expected to be started next year. Meanwhile, the company is seeking a licence for manufacture of steel cord conveyor belting and other beltings and has also some other plans for diversification. It is also developing new grades of synthetic rubber, polymers and latices. The company is negotiating with the UP government and the Ministry of Petroleum and Chemicals for an assurance regarding regular supplies of alcohol in the coming years. In response to its request, the Central government has agreed in principle to the company making a 5-year contract for import of 4,000 tonnes of butadiene per annum on certain terms. Alcohol deliveries from the UP distilleries are also expected to be normal this year, as the current sugar season has been much better than the previous one. This, coupled with the availability of imported alcohol, as also the supply of butadiene from NOCIL, would help to ease the company's raw material problem for the rest of the current year. Even so, because of the loss of production from November to March last, owing to a vend fee dispute, total production is not expected to exceed 30,000 tonnes. Profitability, however, will depend considerably on the government's decision on the company's application for an interim increase in the controlled price of SBR, pending a comprehensive cost inquiry, to allow for the higher cost of imported alcohol and increase in prices of other inputs.

During the first 5 months of the current year, S and C's production of SBR has been 9,100 tonnes against 14,723 tonnes in the same period last year and sales were 7,700 tonnes against 13,394 tonnes. The shortfall in output was due to imposition of vend fee on alcohol at Rs 1.10 per litre against the delivered price of alcohol of 36 paise per litre. During 1972, production of synaprene rubber was 27,640 tonnes as compared to 33,010 tonnes in the previous year, but sales were almost unchanged at 32,626 tonnes, which was made possible by reducing the inventory of rubber from 5,855 tonnes to 1,340 tonnes. While sales brought in slightly more, gross profit fell by about 25 per cent to Rs 298 lakhs. Net profit dwindled to a mere Rs 15 lakhs (Rs 113 lakhs). Dividend, however, is maintained at 15 per cent which will demand Rs 80

lakh have demanded introduction of a production incentive scheme, and the matter has been referred to the industrial tribunal. Auditors were paid, apart from Rs 15,000 as fees, Rs 8,750 in "other capacity" and Rs 4,486 for expenses.

AHMEDABAD ADVANCE's scheme to expand its metals division has been delayed and this has resulted in the cost of expansion going up from Rs 380 lakhs to Rs 440 lakhs. To meet a part of the cost of expansion, it is proposed to increase the subscribed capital by issue of 21,000 new equity shares of Rs 100 each as 'rights' in the proportion of 1:6, which would yield Rs 21 lakhs. It is also proposed to raise Rs 30 lakhs by public issue of 9.5 per cent cumulative redeemable preference shares of Rs 100 each. In addition, the private placement of 8.5 per cent convertible debentures of the nominal value of Rs 75 lakhs each will be made during this year with LIC and UTI, for which consent of the Controller of Capital Issues has been already received. The company has placed orders for a Sendzimir mill, continuous bright annealing and pickling line and laboratory equipment after obtaining an import licence for Rs 89 lakhs. The import will be financed out of the foreign currency loan granted by ICICI. Orders for all major indigenous equipment have also been placed. Last year, the metal division experienced shortage of quality feedstock, spares and back-up bearings, and frequent power-cuts. It had to contend with not only increase in raw material prices, but also "severe" competition in the medium and high carbon varieties. Owing to the liberal issue of import licences, the market was flooded with cold rolled steel strips. With improved trading conditions during the major part of the year, the textile division fared well. The company's total sales and profits were higher compared to the previous year, and the unchanged dividend of 12 per cent was adequately covered. Last year's payment was very much short-earned.

PODAR MILLS has turned out good results for 1972, with a 27 per cent advance in gross profit at Rs 80 lakhs following a 17 per cent rise in net sales at Rs 908 lakhs. The results have been obtained after providing for gratuity Rs 14 lakhs against nil and after paying considerably more as wages and electricity charges. The unchanged dividend of 10 per cent, which was slightly short-earned last time, was covered 1.55 times. The Board has also proposed an issue of bonus shares on a three-for-ten basis and declared its intention to pay

ed capital for the current year. The company has taken up the second phase of modernisation. The auditors were paid Rs 8,000 for 'other services' and Rs 3,968 for expenses, besides their fee of Rs 6,000.

BATA INDIA is entering the market with an issue of 5 lakh equity shares of Rs 10 each and an offer of sale of 1 lakh equity shares of Rs 10 each, both at a premium of Rs 10 per share. The subscription list opens on June 25. In all 5 lakh existing shares of Rs 10 each are being offered for sale; of these 4 lakh shares are being offered to the LIC and the Unit Trust, also at a premium of Rs 20 per share; the remaining 1 lakh shares are being offered for sale to the public. The offer of sale of 5 lakh existing shares is being made by Leader A G of St Moritz, Switzerland, which holds the entire paid-up capital of 25 lakh equity shares of Rs 10 each. The object of the new issue of equity shares and the offer of sale of existing shares is to introduce Indian shareholding in the company. Bata India will have 33.33 per cent Indian participation in its share capital.

Bata started with its first production unit at Konnagar and has expanded into a complex with factories in Bata-nagar, Faridabad, Batagunge and Mokahehga. The company is equipped with modern Research and Development units manned by expert sloe-designers, chemists and market analysts. Bata India has maintained close technical collaboration with its international associates. This facilitates constant exchange of the latest technical information and marketing techniques. Bata India's machinery department also produces India-made shoe machines which are now being used in many parts of the world. The Company's retail and wholesale marketing set-up is manned by highly trained personnel who control Bata's 1,100 retail outlets plus 430 wholesalers who are linked to 10,000 dealers. The overall control and management of the organisation is in the hands of a newly appointed Board of Directors consisting of four executive directors and two non-executive directors. One of the four executive directors is an Indian. Bata India employs 22,000 people.

During the last six years Bata has earned Rs 25 crores of foreign exchange through exports to over 40 countries. The worldwide Bata Shoe Organisation is made up of 96 independently run companies in 90 countries employing 85,000 people and selling about 30,00,00,000 pairs of shoes each year.

The Week's Companies

(Rs in Lakhs)

	Hindalco		Syn & Chem		Ahm Advance		Podar Mills	
	Latest Year	Last Year	Latest Year	Last Year	Latest Year	Last Year	Latest Year	Last Year
	31-12-72	31-12-71	31-12-72	31-12-71	31-12-72	31-12-71	31-12-72	31-12-71
Paid-up capital	1504	1303	575	575	136	136	160	160
Reserves	2821	2908	419	409	154	137	156	128
Borrowings	1434	1449	204	369	419	384	171	228
of which Term borrowings	1097	1065	128	257	69	75	17	11
Gross fixed assets	6025	5424	1823	1741	639	619	524	501
Net fixed assets	3590	3457	550	639	309	320	310	301
Investments	404	404	—	—	7	9	15	11
Current liabilities	871	655	470	318	252	231	81	5
Current assets	2699	2449	1118	1017	597	543	274	26
Stocks	1191	1042	610	648	388	347	208	17
Book debts	1440	1238	409	304	192	180	59	8
Net sales	3804	3728	1592	1540	1195	966	908	77
Other income	82	75	13	12	16	21	44	4
Raw material costs	1314	1246	638	671	409	404	513	48
Wages	292	282	142	140	217	194	175	16
Interest	105	115	20	80	42	32	25	1
Gross profit(+)/loss(—)	710	818	298	394	62	46	80	1
Depreciation provision	355	379	145	138	31	31	29	1
Tax provision	100	—	138	143	—	—	5	—
Net profit(+)/loss(—)	255	439	15	113	31	15	46	—
Development rebate provision	88	9	45	152	8	9	26	—
Transfer to reserves	—4	284	—	—	7	—9	6	—
Dividend								
Amount	P 46	46	E 86	86	P 1	1	P 3	—
	E 125	100	—	—	E 15	14	E 11	—
Rate (per cent)	P 9&9.3	9&9.3	E 15	15	P7.14	7.14	P7&9.5	7&
	E 12.50	12.50	—	—	E 12	12	E 10	—
Cover (times)	0.97	3.84	—	—	1.47	0.25	1.55	0
Ratios (per cent)								
Gross profit/sales	18.66	21.94	18.72	25.59	5.19	4.76	8.81	8
Net profit/capital employed	4.43	7.76	—	—	4.37	2.28	9.44	6
Inventories/sales	31.31	27.94	38.38	42.68	32.47	35.92	22.91	26
Wages/sales	7.66	7.56	8.92	9.09	18.16	20.08	19.27	17

Calcutta Diary

A M

THE United States of America, the regime of President Coolidge, the reign of the Eighteenth Amendment formally enforcing prohibition; Chicago, Wednesday, October 20, 1926; Hotel Sherman, a stone's throw from the City Hall, the headquarters of the Mayor, and across the street from the office of the chief of police. A famous peace conference was on. It was being chaired by Maxie Eisen, racketeer extraordinary, to whom every push-cart peddler in the fish-markets along the Lake Michigan waterfront paid tribute, and who had the reputation of being an 'intellectual' in the Chicago underworld. Till the other day, his alignment was with the Irish gang. But the erstwhile leader of the latter, the florist Dion O'Banion, had only recently been despatched to his coffin by the gunmen of you-know-who, and, discretion being the better part of valour, Maxie had been increasingly liking the role of a peace-maker. Amongst the participants at the conference in the Lavender Room of Hotel Sherman was Alphonse Capone, ostensibly a second-hand furniture dealer (although once, before a grand jury, asked to state his business, his response was: 'I must stand on my constitutional rights and refuse to answer anything particular about that'), otherwise known as Al Capone, by common repute the head of the Neapolitan faction, without question the monarch who had conquered nearly all he surveyed; sitting next to him was his crony, Antonio Lombardo, head of the dreaded Union Sicilione, the name by which the Chicago Mafia was generally known. Next to Lombardo was Jack Guzik, the manager of the Capone bootleg syndicate and prostitution chain; next to him was Ralph Sheldon, boss of Capone's beer concessionaires and illegal distilleries. One could not but notice sitting across the table George Bugs Moran, the reputed burglar and gunpacker, and Vincent the Schemer Drucci, premier jewel thief and rigger of elections; they were the surviving spokesmen of the North Side gang whom Al Capone had systematically annihilated since 1924. Next to them, sitting from right to left, were the delegates of the Irish gang: William Skidmore, ward-healer and fixer of judges; Christian P. Barney Bertsche, well known highwayman and blower of safes; and Jack Zuta, their

leading armament specialist. Amongst the major luminaries, only Polack Joe Saltis, the beer king of the South-West Side, was absent for circumstances beyond his control; he was temporarily in jail, because of certain regrettable misunderstandings with the police.

Maxie the fish-market racketeer was relishing his new role as peace-maker-cum-brother-confessor. By-gones, he appealed to those who sat round the table, ought to be by-gones. The Irish, the Neapolitans, the Sicilians and the Poles had lost as many as two hundred lives in internecine gang warfares ever since 1922. Their fights were over the issue of establishing sovereign jurisdiction; a matter of dividing up Chicago and its suburbs into so many clear-cut spheres of influence within each of which a particular boss would reign supreme. The latter would, so to say, hold the charter for the geographical area assigned to him for practically everything: bootlegging, prostitution, drug peddling, election terrorism, judge-fixing, blackmailing, robbery and so on. Egos had however clashed with egos, and the battle of annihilation and attrition had gone on for a long number of years. The original Neapolitan, Al Capone, had now managed to emerge as the major goon; the Irish had almost been totally decimated; the Sicilians were also in an equally bad way; so was the case with the Poles, with their leader Saltis very much on the run. Enough, Maxie argued, ought to be enough. The factional murders were giving the gangdom a bad name; the politicians, the legislators and the judges, who were on their pay-roll, were having trouble with the ordinary citizens and also with the Federal administration in Washington, who were demanding that drastic measures be taken to rid Cook County of the mobs. It was thus essential that the gangs patched up among themselves. Maxie accordingly took the initiative to organise the peace and disarmament conference. He had earlier spoken to the Irish and the other gangs, who were more than willing to throw in the towel. He then spoke to Lombardo, who spoke to Capone. A few informal, preliminary meetings were arranged to sort out the modalities of the big conference. Finally, on October 20, 1926, the plenary session convened at Hotel Sherman. It was a stellar occasion; barring one or two unavoidable absentees,

all the leading goons of the underworld were present. They spelled power and money. They controlled the corrupt politicians of Cook County belonging to both parties; they named the Senators and also the Governor of the State of Illinois; the mayor, Big Bill Thompson, was their henchman; the commissioner of police was a pal of Al Capone; and the judges were voted by their rigging machine. Here they were now assembled, in the manner of the Congress of Vienna, to carve up Chicago and the Cook County into distinct territorial zones, to impose and enforce their own law against the law of the society and the Constitution of the United States, to declare dividends and decide stock options with the smooth assurance of, say, the board of directors of any major holding company.

The conference had not proceeded even five minutes before it became obvious that it was Al Capone all the way. The assembled delegates were seized by an atrophy of fear and reverence. Their readiness to agree with whatever Al Capone said was nearly pathetic. He dictated the basic terms of the peace treaty; most of them were accepted without demur. If there were minor grievances felt by individual delegates, they kept those grievances to themselves. Power comes out of the barrel of a gun; Al Capone had established himself as the boss *uber alles*. He was supreme on the North, and his power on the West was by now beyond dispute. The South, from the Loop to the Chicago Heights, had also duly fallen to him. All that remained was mopping up operations. He had the line of communication with the police, the mayor, the senators and the judges. It was thus inevitable that, at the conference, whatever Capone said went. The terms of the charter of peace that was drawn up consisted of only five short clauses, namely, (a) general amnesty; (b) a moratorium on further murders and bashings; (c) all past killings and shootings to be considered as closed episodes; (d) all malicious stories carried between the factions by meddling policemen, or presented through the medium of the press, old telegrams, letters and other documents, dated prior to the peace treaty, to be disregarded; and, finally, (e) leaders of the individual factions to be held responsible for any infringement of the pact, and unfriendly activities on the part of the rank and file to be reported to the delegates, who would then ask the respective mob leaders to initiate the necessary disciplinary measures.

The terms of the pact were swiftly agreed upon, and the conference converted itself into a delimitation committee; the proceedings were of course *in camera*. Moran and Drucci were given the lease of a part of the northern segment of the city, consisting of the 42nd and the 43rd wards. The territorial acquisitions, alcohol-cooking and beer-selling privileges, as well as the vice and gambling concessions south of Madison Street were assigned to Al Capone, who was now formally recognised as the supreme boss of the entire West, from the Loop to Cicero, on the South from the stockyards to the Indiana boundary line, and on down to Chicago Heights. The Sicilians were confined to their backyard in the southwestern parts of the city. For the present, there was nothing for the Irish: they were on probation; once, however, Al Capone was satisfied with their conducts, some *concessionaires*, it was implied, would come their way.

As the conference ended, peace, all of a sudden descended upon Chicago. Up to October 20 during the calendar year, there had been 62 murders in Cook County. From that date till December 30, with the exception of a nondescript person not identified as belonging to any faction, who got killed on December 19, not a single killing took place in the city of Chicago. In the annals of crime, this interlude got known as Seventy Days' Peace.

The historical parallel was irresistible. In the first fortnight of this month, on June 7 to be precise, at the end of a delegates' conference in Calcutta, a 22-point treaty of peace was announced amongst the different factions of the Congress party in West Bengal. These points bear an eerie resemblance to the five-point truce which had been declared in Chicago 47 years ago following the conference in Hotel Sherman of the different gangster groups. By-gones be by-gones, no retributory steps for avenging past killings and assaults; no more falling into the trap of *agents provocateurs* belonging to the police and other elements; no MLA to organise or address meetings in the constituency of another MLA without the latter's written permission; in case of any infringement of the treaty by this or that individual member of this or that individual mob, a complaint to be lodged with a co-ordinating committee on which would be represented the delegates of the different factions and which would be the final arbiter. Although not reported in detail in the newspapers, it has also been agreed at the conference

that Calcutta and the districts of West Bengal are to be parcelled among the different factions in terms of delimitation arrangements to be worked out by the co-ordinating committee. The committee is scheduled to meet in the very near future.

The citizens of Chicago were lucky; they could enjoy uninterrupted peace for as long as 70 days. It is too early to say whether the uneasy peace thrashed out at the conference in Calcutta would have the same order of longevity, or whether the factions would resume their knifings and killings even earlier. The Chicago mobs fought amongst themselves over the concessions for bootlegged alcohol and beer, for the unrestricted franchise to kill and mug people in each area, for the right to collect the proceeds of blackmail and extortion, to peddle drugs and cocaine, to corrupt the politicians, and to rig the elections. Here in Calcutta, the concessions being fought over, one surmises, are about who will have the contract for moving rice from the surplus districts to the deficit ones; who is going to get the cut for importing mustard seeds from Uttar Pradesh and reaching them to the oil mills; who will have the franchise to

put the squeeze on the jute workers at Budge Budge or the Rajasthani businessmen in Burra Bazar; who will have the right to name the recruits for vacant government jobs; who will appropriate the bulk of the funds under the crash employment schemes or the *kharif* production programme, and who will control the money accruing to the exchequer of the state Congress. There are other concessions too to be decided upon, for example, which faction of the Chhatra Parishad is to be given the monopoly of controlling the university examinations and collecting the tithe from the students for mass copying arrangements, or which segment of the Youth Congress will be empowered to levy compulsory subscriptions on the public for organising community workshops.

One faction, gossip has it, is holding out for the franchise of trafficking in girls from the refugee colonies in 24-Parganas and Nadia. This one is as yet unconfirmed; one must not perhaps listen to such rumours, which are bad for the morale of the people, and which also slow down the task of ushering in socialism in, and eradicating poverty from, the country.

CAPITAL VIEW

Failure of Men and Systems

Romesh Thapar

ALTHOUGH a considerable effort is being made to present an unflappable exterior, there is turmoil within the confines of government. A number of happenings, sad and tragic, have lifted the blinkers. The PAC-Army collision in Uttar Pradesh tolled the bells for Kamalapati Tripathi. The IA crash outside Palam has put a question-mark over the future of Karan Singh who failed to see the emergency. Fakhruddin Ali Ahmed and K L Rao had already been tipped for removal. As for D P Dhar at the Planning Commission, he's been dressed down so thoroughly that he is half the man he was. The Prime Minister is certainly on the war path.

But, and it is here that we have to ponder, who is responsible in the final analysis for the mess that prevails in almost every area of activity? Where are the decisions being made? In Cabinet or in Cabal? Is there any follow-up of any description? At what level and to what effect? Who is con-

ducting personnel policies, making appointments at the highest levels? Do ministers really have the power to operate? Or are they dependent on *durbari* favours? Is one ministry destroying the capacity to act of another ministry? If the system of administration is a farce, who has refused to change it?

Indira Gandhi will have to face these questions of the critics even as she moves to reorganise her government. The incredible faith she places in individuals is naive, when the best of men can be defeated by the system under which she compels them to function. Are we to believe that the misuse of authority and the corruption under the Tripathi regime was any different from what is condoned elsewhere and even at the centre? Are we to believe that the poorly maintained equipment and the lack of spares, the absence of discipline, the incompetence and the inefficiency highlighted by the Palam crash are

features confined only to civil aviation? And so it goes on — the power crisis, the food crisis, the planning crisis, etc, etc.

In the same context, when the recent communal riots erupted in the Capital, how many heads fell in the Home Ministry headed by the Prime Minister's personal nominee, Uma Shankar Dikshit. Repeatedly, experienced police chiefs have warned about the neglect of law and order, the tendency to permit politicians to operate goonda gangs, the refusal to take serious notice of warning signals and the marked decline in police morale. The erosion of discipline is directly attributable to the politicians' compromise with legal processes. Indira Gandhi has failed miserably to halt this drift to perdition. Indeed, on occasions, she has appeared to protect the law-breakers.

Without a doubt, the economic and social crises have assumed political dimensions. Wherever one goes in the Capital, the attack is sharp and pointed. For the first time, there is no talk of progressives and reactionaries, only the demand for a government that works and a system which is not self-destructive. Indira Gandhi will have to undertake a drastic overhaul of her Council of Ministers if she desires credibility. The speculation is a kind of pointer to the stir. Chavan back to Home. Pai to Finance. Jagjivan Ram to Agriculture again. Locate the doers in the party and bring them in. Upgrade the young ministers who have shown promise, drop those whose presence makes little difference. Associate experts, with ministerial rank only, at all points where decision-making needs strengthening. And how about getting at non-party talent. Shake up the Council of Ministers.

But more important than this movement of personalities up and down the VIP ladder is the persistent demand for a total reform of the system of functioning. The shake-up in personnel, at all levels, becomes meaningless if the same sterile system continues to direct our lives. The Prime Minister and her advisers, in the party and outside, gloss over this. They seek change even as they preserve the petrified jungle of rules and regulations. No change possible within such a framework. This truth has to be faced squarely.

The system is rotten, so rotten that it is frightened to make the necessary corrections on any major scale. Yes, the threatened take-over of the rice

trade *a la wheat* has been stopped. The calculations of the Agricultural Prices Commission, and the charge about "kulak profiteering" is under scrutiny. The Planning Commission, too, believe it or not, has at last accepted the truth that inflation will cut the size of the plan. Electrical engineers are being prodded to ask for bigger allocations for power generation in the Fifth Plan. One broad corrective posture after another, but no one is working on the details. No one cares. And everything is running

down, although reading the newspapers you would think that only Palam airport was faulty. How fatuous can a nation become!

Small wonder that the world looks at the wretched condition of this sub-continent and convinces itself that almost every activity is massively mismanaged and that nothing can save the Indians unless they pull themselves out of their stupor. Exaggeration? Prejudice? I don't think so. We need to take a long, careful look at ourselves.

June 18

FROM OUR CORRESPONDENTS

Requiem for APC

(From a Special Correspondent)

CATEGORICAL statements to the effect that prices rise in the country because the government itself is interested in promoting increases in the price level are generally regarded as belonging to the category of the grotesque. That such statements are not necessarily hyperboles is currently being proved by the sordid drama over the fixing of the procurement prices for major foodgrains.

Ever since 1966, the Agricultural Prices Commission has set up a fairly logical schema for arriving at the administrative prices for farm products. The Commission has been operating through the *deus ex machina* of two sets of prices: the minimum support price and the procurement price. The minimum support price is in the nature of an insurance price; once such a price has been announced, the government, in the view of the Commission, will be committed to purchasing unlimited quantities of the crop concerned at this price, irrespective of the size of the harvest and irrespective of the level of the market price. This minimum support price is to cover the unit cost of production and should also include an element which would pass for normal profits. If, for example, there is a glut in production and market prices decline precipitately — sliding down below even the level of the minimum support price —, the farmers should nonetheless need feel no particular apprehension, since the government is committed to purchasing, at the announced level of support price, whatever quantities are offered for sale. So that the farmers could have a prior idea about the degree of insurance being provided to them, the Agricultural Prices Commission has been urging that

the minimum support price for each of the major crops be announced well in advance of the sowing operations.

RATIONALE OF PROCUREMENT PRICE

The role of the procurement price was envisaged somewhat differently by the Commission. Unlike minimum support prices, which come to operational significance only when the farmers on their own are anxious to sell to the public agencies — for example, in case of excess production —, procurement prices are to be the instrument when the government, on its own initiative, would like to buy from the farmers. Such purchases could be of foodgrains or, as we have seen in recent seasons, even of industrial raw materials, for example, cotton. The contingency of fixing a procurement price arises because of the government's acute need to appropriate a part of the available supply of a crop in the market. Since the government is here taking the initiative to buy, it is to be expected that the major realities would be duly taken into account by it while determining the level of the procurement prices. If the latter is excessively low in relation to the actual market price, farmers and traders may have little urge to unload their stocks voluntarily to the government. On the other hand the purpose of foodgrain procurement is to supply grains at reasonable prices to the weaker sections of the community who, it is assumed, cannot afford to pay the prevalent market price, particularly in a lean year; the *raison d'être* of procurement would disappear if the procurement price were to be the same as the market price.

In view of these considerations while

the procurement price could be generally expected to be somewhat higher than the level of the support price, it could not be equal to the market price. Since market conditions can be gauged precisely only after the size of the harvest has been taken into account, the Commission had been following the practice of recommending the procurement price for a crop as the marketing season came close. The rough and ready time-table has been to announce the support prices on the eve of sowing and the procurement price on the eve of harvesting. In the limiting condition, when there is a glut in the market, the procurement price, it was understood, would converge towards the minimum support price; in other seasons, it would be somewhat higher, the extent of the distance between the two prices being determined by the realities in the market and the requirements of the public distribution system.

HUSTLING THE APC

Whatever else the government did or did not do, through all these years it had not at least interfered with this format of recommendations favoured by the Agricultural Prices Commission. Then last year, under pressure from the wheat lobby, things started to happen. The surplus farmers from the north-western belt of the country, or those who claim to represent them, blandly began to demand that the procurement price itself ought to be announced on the eve of sowing; since the government was going to be the principal, if not the only, purchaser of grains following the take-over of wholesale trade, the farmers must know the price the government was prepared to offer them before they would finalise their production programme. The government was pressurised, and the Agricultural Prices Commission was forced to announce the procurement price of wheat for the current marketing season as early as in September last year. In the case of the kharif grains too, a similar stratagem was followed. Unlike in other years, when the report of the APC on the procurement price policy of kharif foodgrains was delayed till the end of September so that acquaintance with the actual crop conditions could inform its judgment, this year the Commission was hustled to submit its report by the first week of June.

To sit on judgment on the level of procurement prices for kharif cereals this early, when nothing was in fact known even about the conditions of sowing, was certainly an awkward exercise. But since it was the whim of

the government, the APC had to fall in. The Chief Ministers, congregated in New Delhi on June 14, were supposed to offer their views on the Commission's recommendations on the level of procurement prices for kharif foodgrains in the ensuing season. An astonishing thing however happened at the conference. The Union Ministry of Agriculture, in connivance with the Chief Ministers, decided that the frame of procurement prices recommended by the APC are to be accepted, but only as a frame of minimum support prices. In a complete reversal of what they themselves had stated barely a few months ago, they are now of the view that it was too early to decide upon the level of procurement prices; one must wait further, form a judgment on the size of the harvest, the requirements of public distribution, etc, before any conclusions could be reached about what this level ought to be for the coming marketing season. From a remark let dropped by the Union Minister of State for Agriculture, the government, it seems, is determined to fix the procurement prices for the kharif grains at levels much higher than what the APC has recommended, and this despite the fact that the latter has recommended prices which are mostly 15 to 25 per cent higher than what they were last year.

FURTHER BOOST TO PRICES

This is the time of the year when the supply of foodgrains, particularly of kharif grains, enters its most difficult phase. With the onset of the monsoon, the problems of transport are likely to queer the pitch further. Going by the evidence of the past six weeks, foodgrain prices have been going up at an annual average rate of 25 to 30 per cent. The mere fact that the Agricultural Prices Commission has recommended an across-the-board increase in procure-

ment prices was going to lead to another round of hardening of prices. With the announcement of the 'non-decision' on the part of the Chief Ministers — and the hint that procurement prices for kharif grains would be set at even dizzy heights —, the state of expectations in the market would assume a still greater buoyancy; nobody need be surprised if prices now really begin spiralling. The Chief Ministers are living in a fool's paradise if they pretend that what they have done would have any positive effect on the size of the crop. The latter would be largely determined, as everybody knows by now, by the bounty of nature. By advancing their discussion on procurement prices by four months and then by not announcing them but promising the farmers and traders pies-in-the-sky in the subsequent months, Krishi Bhavan and the Chief Ministers have done the worst possible mischief to the cause of price restraint.

SCHEME OF BONUS PAYMENTS

Alas, this was not the only malfeasance perpetrated in the meeting of June 14. Quite gratuitously, the Ministry of Agriculture and the Chief Ministers worked out a scheme of bonus payments to the governments of the states which fulfil certain proportions of the targets originally set for them for the procurement of wheat. According to the scheme, the states which succeed in fulfilling 25 per cent of the target set for them would get a bonus of Rs 4 per quintal; those who fulfil between 25 and 50 per cent of the quota would receive Rs 5; those attaining between 50 and 75 per cent of the quota would be rewarded with Rs 7 per quintal, those states which over-fulfil the quota would receive a bonus of Rs 10 per quintal.

Two comments appear to be called for. First, the procurement of wheat

SUBSCRIPTION RATES

	Inland	Foreign (surface mail)
6 months	Rs 40	
1 year	Rs 75	Rs 110
2 years	Rs 140	Rs 210
3 years	Rs 200	Rs 305

Concessional Rates for Teachers and Students

6 months	Rs 18
1 year	Rs 35
2 years	Rs 60
3 years	Rs 80

Concessional rates are not applicable to students and teachers outside India

this year, it is entirely possible, might even fall short of 5 million tonnes, and could be as much as one million tonnes less than what was procured last year. Given this context, those states which are unable to fulfil even 50 per cent of the target laid down for them deserve, one would have thought, not to be rewarded, but penalised. It is an indicator of the degree of perversity which has overtaken economic administration in the country that those who ought to be hauled over the coals for their dismal performance are instead being kissed on both cheeks. Second, one can, quite legitimately, enquire of the purpose for which this bonus is being offered to the state governments. Since evidently it could not be passed back to these farmers who have already sold their grains to Government agencies, the assumption is that the proceeds of the bonus would be used for providing indirect subsidies. Given the umpteen examples set by the various state governments in recent times, would it be unfair to conclude that these proceeds

too would go to swell certain slush funds which are blatantly political in nature?

The composite picture one obtains after adding everything together is of a thoroughly demoralised government which, in its panic, is now intent to scuttle whatever rationality was sought to be introduced over the years to the management of the nation's food. A set of politicians who, till the other day, had been bragging about their determination to nationalise, in wholesale manner, the foodgrains trade, are now surreptitiously inching back toward *laissez faire*. Maharashtra has withdrawn the ban on the inter-district movement of grains, and Uttar Pradesh has followed suit; the chief ministers of a whole array of states deficit in food are, in addition, clamouring for the unrestricted movement of wheat and the coarse grains between state and state. By unrestricted movement they of course mean — need one point it out? — unrestricted movement *on private account*. This is the way the world ends.

CONSTITUTION AMENDMENT CASE

What It Decided

T R Andhyarujina

THE supercession of the three senior-most Judges of the Supreme Court on April 25 has overshadowed the momentous decision delivered the previous day by the Supreme Court in what is known as the Fundamental Rights Case, or more appropriately, the Constitution Amendments Case. Thirteen judges heard the case for a record number of 69 days spread over five months. Eleven of them delivered separate individual judgments running into over one thousand pages in all. What did all this prodigious effort amount to?

Let us start where it all began. It began with the Golak Nath judgment delivered by the Supreme Court on February 24 1967 which held that Parliament had no power to amend any fundamental right in the Chapter on Fundamental Rights. Nine out of the 13 judges in the latest case now hold that the majority judgments in the Golak Nath case were erroneous; the remaining four judges (two of them, viz, Chief Justice Sikri and Justice Shelat who were parties to the Golak Nath majority judgment) say that it is unnecessary for them to decide whether the Golak Nath judgment was erroneous or not. The majority judgments in the Golak Nath

case thus stand overruled and it is now acknowledged by the Court that Parliament can amend fundamental rights.

SCOPE OF AMENDING POWER

The overruling of the Golak Nath case however did not conclude the Constitution Amendment Case, because the petitioners in the latest case raised the far-reaching question of the scope of the amending power of Parliament under the Constitution. As there was no express limitation on the subject matter of a constitutional amendment in the Constitution, they argued that there were inherent and implied limitations on Parliament's power to amend the Constitution. They further argued that whilst Parliament had the power to amend parts of the Constitution, the "essential features" of the Constitution could not be abrogated or, as they metaphorically stated, could not be "damaged or destroyed" by amendments. So far as the chapter on fundamental rights was concerned, they argued that whilst fundamental rights could be amended, "their essence or core" could not be amended.

Six judges (Chief Justice Sikri, Justices Shelat, Hegde, Grover, Jagan-

mohan Reddy and Mukherjee) accept this argument of the petitioners. Six other judges (Justices Ray, Palekar, Mathew, Dwivedi, Beg and Chandrachud) reject it. Justice Khanna's judgment accepts some parts of the petitioners' arguments and some parts of the government's arguments and thus turns out to be the most crucial judgment in the even division of six judges against six other judges. Justice Khanna holds that there are no implied or inherent limitations on Parliament's power of amendment apart from those which inhere and are implicit in the word "amendment" in the amending article namely, Article 368. According to him, the word "amendment" did not include the power to abrogate the Constitution nor did it include the power to alter the basic structure or framework of the Constitution. Subject to the retention of the basic structure or framework of the Constitution, Justice Khanna held that the power of amendment was plenary. Justice Khanna's judgment thus did find limitations on the amending power of Parliament arising not from inherent or implied limitations on Parliament's power or from the essential features or essence or core of any fundamental right, but from what he described as "the basic structure or the framework of the Constitution". As the six judges who held that there were inherent and implied limitations on Parliament's power to amend the Constitution, also included within their conception of limitations on Parliament's amending power the basic structure of the Constitution, etc, there are, in all, seven judges out of 13 (Chief Justice Sikri, Justices Shelat, Hegde, Grover, Jaganmohan Reddy, Mukherjee and Justice Khanna) who limit Parliament's power by limitations arising from the basic structure or framework of the Constitution. Thus, the greatest common factor in the subject of limitations on the amending power was that "Article 368 does not enable Parliament to alter the basic structure or framework of the Constitution". This is the "view of the majority", as summarised after the delivery of all the 11 separate judgments by nine out of the 13 judges. The remaining four judges (Justices Ray, Mathew, Dwivedi and Beg) did not subscribe to the "view of the majority".

AMENDABILITY OF FUNDAMENTAL RIGHTS

On the specific question of the amendability of fundamental rights, Justice Khanna's judgment is again pivotal. Six judges (Chief Justice Sikri and

Justices Shelat, Hegde, Grover, Jaganmohan Reddy and Mukherjee) held that fundamental rights were among the essential features of the Constitution and whilst Parliament could amend fundamental rights it could not abrogate them because of the inherent and implied limitations on Parliament's power to amend the Constitution. Six other judges (Justices Ray, Palekar, Dwivedi, Mathew, Beg and Chandrachud) held that there were no inherent and implied limitations on Parliament's power to amend any fundamental right and no fundamental right was immune from amendment or even abrogation. Justice Khanna held that "Subject to the retention of the basic structure or framework of the Constitution... no part of a fundamental right can claim immunity from the amendable process by being described as the essence or the core of the right". He, however, specifically held that the right to property did not pertain to the basic structure or framework of the Constitution. The reservation made by Justice Khanna about the retention of the basic structure or framework of the Constitution is of vital significance. It means that there is no majority finding of seven judges that there is an absolute unfettered power to amend fundamental rights except the right to property. Presumably, if an amendment of a fundamental right other than the right to property affects "the basic structure or framework of the Constitution", according to the majority view of seven judges (Chief Justice Sikri, Justices Shelat, Hegde, Grover, Jaganmohan Reddy, Mukherjee and Khanna) the amendment would be invalid. Ironically, the law which was to be determined by the largest bench of thirteen judges ever constituted by the Supreme Court is now to be found out by a strange process of the greatest common factor in seven judgments and in which process the views of one judge ultimately prevail. What constitutes "the majority view" is even disputed by four judges making the whole question of what the Court has really decided uncertain and unsatisfactory.

GREATEST COMMON FACTOR

The Constitution 25th Amendment Act enacted a new Article 31C. The first part of this article stated that no law giving effect to certain directive principles of State Policy (distribution of material resources of the community, and elimination of concentration of wealth and means of production, etc) would be void on the ground that it took away or abridged certain fundamental rights conferred by Articles

14, 19 and 31. The second part of Article 31C stated that such a law containing a declaration that it was for giving effect to such policy would not be called in question in any court on the ground that it did not give effect to such a policy. This article was vehemently attacked by the petitioners as a monstrous outrage on the Constitution. Here again, employing the process of the greatest common factor amongst the seven judges, "the majority view" was that the last part of Article 31C was invalid, and the first part was valid. The invalidation of the last part of Article 31C is not of great consequence to the government as the Union government had conceded at the hearing of the case that in spite of the device of the declaration to eliminate judicial review the Court could always examine whether the law had any relation to the professed object of giving effect to the directives of State Policy. The first part of Article 31C which the Court has held to be valid, by a majority of seven judges to six, is potent enough to eliminate the application of the most important fundamental rights in economic legislation of the Union and the states. From the government's point of view, therefore, the invalidation of the last part of Article 31C is serious only as it has been invalidated by judicially determined limitations on the amending power of Parliament.

'BASIC STRUCTURE' OF CONSTITUTION

The majority finding that Parliament's power of amendment is limited by the basic structure or framework of the Constitution is the most serious aspect of the decision for Parliament. The Constitution does not say what its "basic structure or framework" is. The examples of the basic structure or framework of the Constitution given by some of the judges include such nebulous concepts as "the essential features of the individual freedoms" and the "dignity of the individual". Such lofty concepts sound well in political theory but do not furnish any precise guidelines for courts to strike down the most vital exercise of the people's right to amend their Constitution and they necessarily introduce judicial control on the subjective opinion of judges of what is the "basic structure or framework of the Constitution". Lack of such judicially manageable standards and criteria for invalidating the people's right to amend their constitution has led the Supreme Court of the United States to refrain from

deciding the question of whether there are implied limitations on the power to amend the US Constitution, though every constitutional amendment which was challenged for violating implied limitations was held to be valid by the Court. Judicial verdicts have always been open to change through constitutional amendments but for courts to limit the amending power itself by judicially ascertained limitations which are not expressly found in the Constitution would deny a sovereign people their right to change their Constitution for ever. Such limitations imposed by judicial decree would remain unalterable except by the court itself.

LARGELY THEORETICAL CLAIM

The Supreme Court's finding (by a slender majority of one judge) that it can scrutinise the substance of a constitutional amendment means that in conceivable cases courts may impose a permanent veto on the people's desire for a change in their Constitution. However, in future this claim may prove largely theoretical as there may never be an occasion for the exercise of the amending power which the Supreme Court finds objectionable. With the court having conceded the validity of the 24th and 25th Amending Acts and the validity of constitution-protecting devices such as Article 31B and Article 31C and the fact that the majority have held that the right to property can be abrogated, it is unlikely that there will be any necessity for or resort to any amendments of a kind not already declared as valid by the Supreme Court. It was basically the right to property which had so far brought about the challenges to the amending power and with its passing the occasion for any conflict between court and Parliament may be remote. It is possible that in future the court's relations with Parliament on the question of constitutional amendments may never again reach the point of confrontation by the adoption of a compromise "dualism" similar to that which exists in the United Kingdom between courts and Parliament on the question of Parliamentary privilege. This dualism implies that theoretically the court asserts the right to scrutinise the substance of the amendment but in its practical application the power in each case is conceded to Parliament.

Developing the Desert

(From a Special Correspondent)

THE Rajasthan government has of late shown keen interest in the development of the dry areas which cover nearly three-fourth of the state's territory. Though measures to develop these areas had always figured prominently in state plans, in terms of concrete steps hardly anything worthwhile was done. The tardy progress of the Rajasthan canal project, which could be the single most important measure for the permanent elimination of drought and scarcity and could ensure rapid development of the driest parts of the state, is well known. Every second or third year the target dates for completion of the project are extended and the cost estimates too get revised upward. It has even been alleged that the government has developed a vested interest in the backwardness of the area and its vulnerability to frequent droughts.

'Drought and scarcity' has its own uses. To the state government it provides a ready excuse for its failures on the development front; it also provides ground for getting grants from the Central government (and from private agencies). To the workers of the ruling party it offers a unique opportunity to play the good Samaritan to the voters at public cost. To the administrative machinery, from the patwaris and overseers (posted to relief works) to the higher-ups at the district level (and also to a variety of contractors) it brings windfalls of unaccounted money. There are some more unconventional uses of the drought — such as higher achievements in sale of state lottery tickets and vasectomy operations; after all, what could be a more effective incentive than the possibility of employment on relief works or payment of a sum of, say, Rs 40 for inducing (compelling?) a hungry man to participate in these programmes.

Thus everybody who matters has reason to be happy with the frequent visitations of droughts. There are facts to show that the amounts spent on famine relief have increased — irrespective of the number of villages or the size of the population affected by drought — in election years and years preceding elections. The influence of relief works on elections results has been noted by a study of the Third General Elections in parts of the state conducted by the Rajasthan University. It is also well known how politi-

cal considerations get priority over meteorological facts in the determination of the extent of drought and identification of affected areas. The location of relief works and the dates of their commencement are similarly determined. The frequency with which the Udaipur division, hardly known to be drought-prone in the past, has been declared to be drought affected in the last 15 years is a case in point.

The Central government appeared to get wise to some of these tricks when it started to drastically slash the state's requests for relief funds. It was alleged in the last session of the state assembly that the Centre was discriminating against Rajasthan compared to other states like Maharashtra, in the grant of relief funds, etc. At the same time, it did occur to someone to suggest that perhaps the most effective ways to reduce the state's dependence on the Centre for relief funds was to develop the chronically drought-prone areas. The renewed interest in the development of these areas in the state's north-western districts has to be viewed in this context.

POLITICAL CHANGE

A few other factors which might have contributed to the present emphasis on development of the desert areas may also be noted. One of these is the realisation that the undeveloped and thinly-populated desert area are a major defence liability. This awareness has been sharpened by the difference the little development effected during 1966-71, mainly in terms of communication and drinking water, made to the performance of the armed forces on the western border in the 1971 war compared to that in 1965. The change in the politics, had never been a stronghold of factor. The desert area, particularly Jaisalmer, Barmer and Bikaner districts, had never been a stronghold of the Congress party. Amrit Nahata was the first Congress candidate to be elected to Parliament from this, largest parliamentary constituency in the country. Nahata was able to persuade Planning Minister D P Dhar to visit Barmer. The Planning Minister's visit might be another factor responsible for the state-government's renewed interest in the area. The third and most important factor is the opportunity offered by the special programmes

in the Central sector, particularly the Drought Prone Area Programmes (DPAP) which covers all arid and some semi-arid districts in the country. The state government can get resources from the Centre under the DPAP if it can put forward suitable schemes.

The Rajasthan government is currently, busy preparing many such projects (a few of them are even likely to be financed by the World Bank under the scheme known as 'drought-proofing'). The state government has already presented a comprehensive scheme costing Rs 5.76 crores for tubewell irrigated pasture-based cattle colonies in Jaisalmer (see "Developing the Desert", October 7, 1972): it has also proposed the idea of linking its milk producing dry areas with the ambitious "operation flood" scheme to be operated by the National Dairy Corporation. The latest scheme presented to the centre under the DPAP is for the development of "reserved pastures" to sustain the sheep economy of the area. The project is estimated to cost Rs 125.47 lakhs and envisages planting of a large number of trees, growing of grass and making adequate arrangements for drinking water in properly fenced pastures in Jaisalmer district, in areas where medium saline quality water (fit for drinking) is available at a depth of about 300 metres with a discharge of 40,000 to 80,000 gallons per hour. These reserved pastures will be open to sheep owners only during lean years and are expected to eliminate outmigration of sheep which has resulted in huge losses to this major enterprise of the desert farmer. According to a sample survey by the Sheep and Wool Department of the state government, about 70 per cent of Jaisalmer's sheep population has perished in the droughts of the last 3 to 4 years. The proposed reserved pastures are to be equipped with other facilities such as veterinary services, cross-breeding, machine shearing, etc, and will impart training in modern sheep management. Initially the state government will operate the reserved pastures, but these will be handed over to co-operatives of sheep breeders later.

This is by no means the first scheme formulated for development of sheep farming in Rajasthan. Ever since the early fifties the state has maintained a considerable paraphernalia in the name of sheep and wool development. A separate department of sheep and wool was created (which at times was assigned to less wanted senior officers); institutes were started for training supervisors; trained people were post-

ed at the block level; wool grading centres were opened and manned by supervisors, some of whom had been trained in Australia; sheep farms for raising quality rams were started; Russian Merino rams were imported for cross-breeding and when they proved ineffective in the desert heat, they were kept at Mount Abu; and through the Government of India and the ICAR, research work on sheep (including for developing an Indian Merino sheep) was initiated at Jodhpur and Malpura. However, none of these measures had the expected impact on sheep farming in the dry areas. The principal reason was that most of these measures were far removed from the realities of sheep raising in dry areas. The expenditure incurred per sheep in Research Institutes at times exceeded the per capita expenditure on human beings in the shepherd's family; the infrastructure, from the sheep and wool department to the wool grading centres, created for sheep development ignored the nomadic and semi-nomadic character of sheep enterprise in these areas. Where the seasonal out-migration of sheep to neighbouring states is unavoidable due to fodder and water constraints, facilities designed largely for fixed-location type of enterprise were bound to remain underutilised and ineffective. For example, wool grading centres could help the farmers in proper grading of wool for higher income, but this facility can be of no avail if, at the time of shearing and marketing (particularly during the summer), the herds of sheep are hundreds of miles away from these centres.

Similarly, it was partly because of the migratory character of sheep farming that the entry of the state government into wool marketing and the establishment of a few wool factories in the dry areas could not make much headway. The first prerequisite for development of sheep farming should thus have been the creation of conditions which could gradually reduce long distance migration. Unfortunately, in this regard the Rajasthan government has in the past done exactly opposite of what was required. Unmindful of the capabilities of the submarginal lands in dry areas, the government has encouraged the shift of grazing lands to cultivation. The economic and ecological consequences of such counterproductive policies have been discussed in these columns. The grazing space — wastes, fallow lands, pastures, etc, — in the arid region has declined from 11.3 mn hectares to 8.5 mn hectares in the last 15 years or so. The shrinkage of graz-

ing space has increased the degree of nomadism, as indicated by a number of studies in the Jodhpur, Naugaur and Bikaner-Jaisalmer areas of the dry region. This in turn has further added to the ineffectiveness of the facilities created for developing sheep and wool farming.

In retrospect, the past efforts of the Rajasthan government to develop sheep farming look like the proverbial act of putting the cart before the horse. In this context the new 'reserve-pasture' development scheme, though belated, is a realistic step in the right

KERALA

False Hopes from Delhi ?

THE monsoon session of the Kerala Assembly began on Monday. The main business for this session is the budget. Only a vote on account for four months could be passed in March, because of the delay in the preparation of the budget due to the NGOs' strike. However, at the request of the leader of the opposition, the government agreed to devote the first two days for discussions on the food situation, on the crisis in the coir industry and on the supply of cotton yarn to the handloom industry. The session began with a statement by the Food Minister on the efforts the government has been making to maintain the statutory ration at 100 grams of rice and 80 grams of wheat, in spite of the difficult food situation in the country. He assured the House that the Central Government had promised the state a monthly supply of 90,000 tonnes of foodgrains. He also thundered that the government would not hesitate to take drastic action against hoarders and blackmarketeers.

CRITICISM OF CENTRE

This statement came in the wake of the search of the godowns of four landlords in Kuttanad, the rice bowl of Kerala, and the arrest of the President of the Grain Merchants' Association and another leading merchant in Cochin, under the Defence of India Rules. What further proof was required to prove the government's determination to unhoard illegally held stocks and to distribute them to the needy? The government has also decided to enforce the guest control order strictly. The Food Minister called upon the people, irrespective of party affiliations, to extend their full co-operation in making a success of the government's efforts.

For the first time, E M S Namboodiripad, leader of the opposition,

How successfully the scheme will be implemented and extended to other areas is yet to be seen. At least the history of past efforts in that direction does not inspire confidence. In the past also, after former Chief Minister Sukhadia's foreign visit, it was publicised that sheep and cattle farming in the Rajasthan desert would be developed on the Australian pattern where through piped water supply over long distances, the migration of the animals is minimised. However in the case of the new scheme, the DPAP is a new strong and exogenous variable, which hopefully should work.

did not ask for the resignation of the government for its alleged failure to anticipate the situation and to build up stocks in time. His criticisms were mainly of the wrong policies of the Central Government and its ineptitude in handling the take-over of wholesale trade in foodgrains. But he failed to mention that even among the statutory ration areas, the ration per head was the lowest in Kerala. At the end of the four-hour discussion, a motion by a CPI(M) member for increasing the ration to 160 grams of rice and 160 grams of wheat was defeated by 70 votes to 50; it was opposed by the ruling parties on the ground that the government would not be able to get enough stocks to sustain the higher ration. Three days later an innocuous looking resolution moved by a CPI(M) member asking the Central Government to allot sufficient foodgrains to Kerala to raise the statutory ration quota to 320 grams (160 grams of rice and 160 grams of wheat) was passed unanimously. What the Food Minister was really asking the opposition parties to do was to stop all agitations and to remain satisfied with what the government could give, taking into consideration the sympathetic attitude of the Central Government in this difficult situation.

The discussion on the crisis in the coir industry, which gives employment to about two million people, directly and indirectly, and on the supply of cotton yarn to the handloom industry followed a different pattern. The Minister for Industries, who rarely travels outside the state, undertook a pilgrimage to Delhi, returned two days after the commencement of the session and announced triumphantly on June 11 that the Government of India had sanctioned a Rs 16-crore scheme which he had submitted in 1968 for the reorganisation

and development of the coir industry. He then painted a rosy picture of the industry and claimed that the task force of the State Planning Board had prepared a Rs 40-crore master plan for the coir industry for the Fifth Plan. It is not uncommon for a state Minister to return from New Delhi with the impression that his schemes have been approved by the Centre, only to find later that there remain many more hurdles to cross. Let us hope that this is not another case of the same type.

PROBLEMS' FOURFOLD

The coir industry's problems are four-fold. First, procurement and distribution of husk at a fair price. Second, exploitation by middlemen at different stages of procuring, processing and marketing. Third, keen competition from substitutes. And fourth, and the most important, ensuring regular employment and minimum wages to workers. The Minister told the Assembly that in a fortnight's time the government would announce the price for husk and entrust its procurement to the Kerala State Coir Corporation and to co-operatives. The same agencies may be used for the elimination of middlemen. The government is not satisfied with the scheme of canalisation through the State Trading Corporation and wants to nationalise the export trade. To meet the competition from substitutes, a lot of research and development and eventual mechanisation may be required. The workers are against mechanisation, while K T Chandy, Vice-Chairman of the State Planning Board and Chairman of the Kerala State Industrial Development Corporation, in a recent address to Rotarians at Quilon expressed the view that the future of the coir industry rested on mechanisation. Already machines have begun to be used for threshing the husk, which operation has the largest potential for use of manual labour. The Minister was non-committal on the question of mechanisation, though he admitted that the quality of the husk threshed by hand was superior to that threshed by machines. A resolution moved by a CPI(M) member to stop mechanisation was defeated. How is this conflict on mechanisation to be resolved? When unemployment is as acute as it is in Kerala, resistance to mechanisation from workers is only natural. Mechanisation may be desirable and may even be made acceptable, if labour could be made scarce to traditional industries like coir by rapidly establishing modern industries.

On the supply of yarn to the handloom industry, the Minister's mission to Delhi was not as successful as in the case of coir. The handloom industry is

dispersed throughout the state, with some concentration in Trivandrum and Cannanore districts. Even in normal times, the industry has to struggle for survival. When the supply of yarn dried up this year, thousands of families were thrown out of employment. The Minister has promised to meet 30 to 40 per cent of the requirements of the looms and appealed to members of the Assembly to view it as an all-India problem. Perhaps, the present scarcity may be temporary, having been caused by the power-cut in the yarn-producing states. But the industry has many long-term problems as well, which did not come up for discussion.

NEW POLICE POLICY, OR ... ?

The Police Department deserves bouquets for the excellent public relations work it is doing. In the Alleppey police station there is a small Ganapathi temple, which had gone unnoticed till now. All of a sudden it has come into prominence. It was thrown open to all communities for worship and a music group consisting of members of all communities — Hindus, Christians, Muslims and others — was formed to sing bhajans along with songs from the scriptures of the other religions. Though Gandhiji's prayer meetings included renderings from all scriptures, this is the first time that a temple has tried this experiment. The IG of Police would be doing a great service for communal harmony if he could extend this practice to other temples, churches and mosques! Crime rates, however, have increased. Still it should be said to its credit that during the last one year, apart from the brutal lathi-charge on the students of the M G College, the police has been using the lathi with great discrimination and there has been no case of firing, much to the discomfiture of the opposition parties. The year has witnessed a number of agitations like the fee equalisation struggle of the students, the land grab movement of the Karshaka Sangham, the NGOs' and School Teachers' strikes, the prolonged strike of FACT workers and a number of mammoth processions and public meetings, which are a regular feature of public life in Kerala, organised by different parties.

It is difficult to say whether there has been a change in the government's police policy and in the general attitude of the police or whether the present behaviour of the police is to be explained in terms of a change in the policy of the militant sections of the opposition parties. Even A K Gopalan is now going to the IG with petitions to stop torture in police lock-up. The days when the police lived in fear of the

communists are gone. Today Naxalites are not in the picture and perhaps the CPI(M) lives in fear of the Youth Congress and the police. After its experience in Bengal, the CPI(M) is understandably anxious not to lose its base in Kerala. In the meanwhile, a grateful state Assembly has voted, by 70 votes to 52, Rs 12.7 crores for the police department which is double that voted for 1969-70.

HOUSING SCHEME FALTERS

The one-lakh houses scheme, which has received worldwide publicity, has begun to face rough weather. The large-circulation, pro-Congress, *Mathrubhumi* daily has drawn the attention of the authorities to some of the things which people know have been happening but which have not been talked about openly. *Malayala Manorama*, an equally influential paper, has also come out with a critical story about the housing scheme. So far, the collection from the public has been only Rs 60 lakhs against the target of Rs 2 crores — and that too with a lot of pressure exerted by District Collectors and their staff. Till now, 20,000 houses have been constructed of which only 3,000 have been occupied. With the onset of monsoon some of the houses have collapsed and some have been wilfully destroyed by miscreants. There is also a universal complaint that the land for the houses has been bought at unreasonably high prices. Materials used are of poor quality and the workmanship is worse. Cement and good quality timber obtained from the government for the scheme are finding their way into the black market. Because of the poor design and construction, people are not enthusiastic about occupying the houses.

These reports may be exaggerated, but the time seems to have come for a thorough enquiry into the one-lakh houses scheme. They very foundations of this government may be shaken if this prestigious project ends in a fiasco.

How many jobs can the government create in a panic by haphazard methods? Recently, the Kerala government decided, under its crash employment programme, to recruit 14,000 people in various categories for training for posts falling vacant next year. The State Public Service Commission notified the vacancies and the Commission has received more than a million applications. Post Offices found it difficult to handle such large numbers of letters and it is reported that many applications are still on the way, though the last date for their receipt was June 14. The Public Service Commission is at its wits end over how to deal with the avalanche of applications!

LONDON

Capitalist Capers

Farrukh Dhondy

"INDEPENDENCE, the freedom of a self-governing nation, is in my estimation the highest political good, for which any disadvantage, if need be, and any sacrifice are a cheap price. It is worth living for, it is worth fighting for, and it is worth dying for." Thus spake Enoch Powell in a characteristic, rhetorical preach-in — words that assume that they are guiding the destiny of nations. It is one of the most important speeches he has ever made because it is a farewell to one ambition and an invitation to another. He chose some out of the way spot, as always, to launch his enterprise, one that he says he's ready to live and die for, but perhaps one not worth being thrown out of the Tory party for.

His speech, eagerly anticipated by a tipped-off press, came very close to directing his following to vote Labour, to give them the next election and perhaps put paid to the Tory party for the next twenty years. As always his speech provoked a storm of abuse, this time from the heart of the Tory party itself. They demanded a withdrawal of the whip from Powell, confident that he had cast himself into outer darkness through this gesture, into the obscurity reserved for the trespassing archangels of Toryism. Immediately Powell appeared on the networks and said he was born a Tory, would die a Tory and had in fact made a thoroughly Tory speech. Characteristically, the sentiment of his speech went further than the words. He didn't quite say where he stood, but left the press and subsequent debate to do his hatchet work for him.

The effect that his speech may have, will prove whether the enormous weight of his popular appeal is generated by his racist views or whether it is in fact the appeal of an extra-parliamentary politician in the twilight era of bourgeois parliamentarianism. The issue which Powell chose was the Common Market. The time he chose cast his heavy shadow across the proposals that the Labour party has put to the people as a manifesto for the next election. Wilson cannot begrudge him this stolen limelight as the proposals he unveiled contained a similar, if less forceful, pledge to look again at entry into the EEC. What the Labour proposals do say clearly is that they intend to protect Britain from monopoly capital domina-

tion. In this sense their purposes find an ally in Enoch who, apart from all his subterfuge about British heritage, etc, has been struggling to save the British capitalists from being swallowed by the multi-national cartels. Powell's speech was tantamount to saying "a vote for Heath is a vote for the monopolies, a vote for Labour is a vote for your friendly neighbourhood capitalist — vote Labour".

Both Powell and the Labour party are attempting at this time to grasp the tide of disillusion that the British public feels when faced with a twenty-five per cent increase in food prices, rising rents, value added taxes, high unemployment, cuts in social services and benefits, the reshaping of the class consistency of city populations through 'redevelopment' plans, and all the other things that entry into Europe means. Anthony Wedgwood Benn, the *enfant terrible* of the Labour party, has just gone through the motions of demanding that Labour stand for election on a promise to nationalise certain profit-making companies and insurance firms. This is the Labour party's answer to the workers' demand for a halt to the fall in the standard of living and their demand for a solution to inflation and for workers' control.

Of course, the Labour party wasn't going to allow any of this. After a public fight with his left wing, Wilson declared that any commitment to nationalisation would cause an electoral drift from the party and ruled that in the interests of the *status quo* it was impossible to allow the rank-and-file of the party to control the policy platform.

Wedgy, as Wedgwood Benn is metaphorically known, has opened a festering wound in the Achilles' heel of the Labour party, the nationalisation question. He has forced the opposition to categorically state that the party shall be governed by the prospective cabinet rather than by its mass support. In his own way Wedgy may be as dangerous to the Labour party as Powell is to the Tories. The rejection of his plans (not his alone) has forced an exposure. Wilson has been compelled to declare that the Labour party is not in any way the enemy of capital or its owners. What he cannot say openly is that the Labour party is merely a machine to hoodwink the working class into a loyalty which cannot work in their interest.

The debate on nationalisation in the Labour party has certainly caused an upheaval. Powell saw his own particular nuisance value in terms of an 'earthquake on the political landscape'. Why have both tremors broken ground at the same time? Are the shake-ups going to result in an unholy alliance between the extreme right which believes in strong-arm repression of strikers and pickets and the Labour left which regularly parades its views on what it calls 'trade-union participation'?

In one sense the question is a red herring. Both debates are being conducted above the heads of the people and both — one about the EEC and the other about the nationalisation of a restricted number of commercial enterprises — are stunts of a weakening electoralism. They occur at a time when the "unacceptable face of capitalism", as Ted Heath called it a few weeks ago, has broken out in a syphilitic rash. Nixon's little lies have inspired a mood of revelation and sensation in the British press and a demand from the public for the lifting of the *pudrah* from the secret face of high politics and finance.

The British cabinet has in the meanwhile been rocked by a series of scandals, more important than the Profumo affair, which have turned this population into newsprint addicts. The least important are the revelations that Lords Jellicoe and Lambton, both Tory ministers, were the regular clients of prostitutes who could have had connections with foreign intelligence agencies. Both ministers resigned from the government, like the true gentlemen they were, and forced Heath to make a declaration that sexual misdemeanour was intolerable within the Tory echelons. All ministers have been asked to submit details of who they screw and why.

Much more important are the disclosures of straightforward capitalist thuggery. The Lonrho affair, as it has come to be known, revealed that Duncan Sandys, a former Commonwealth Secretary, had sold his services and consequently his influence with African governments to Lonrho, a firm with massive investments in Africa. Not only was his appointment as contact man illegitimate, but subsequent transactions between him and the company involved huge tax evasion schemes. Lonrho had agreed to pay his thumping big fees in the Cayman islands.

The Poulson affair, which provided clues about high officials being bribed by big companies, led to the resignation of the Home Secretary. The Lambton affair has led Scotland Yard into the

home of Lambton who was found with cannabis and other drugs. Influential newspapers have threatened further disclosures linking Tory ministers with gambling, prostitution and other money-making rackets. All this makes heavy weather for the Tory yachtsmen. And now a kick in the vitals from Enoch Powell. Just before this assault there was merry speculation that the Tories were gaining ground with the electorate and would call a snap election in the autumn, before the Labour party had resolved its nationalisation problem. Certainly after Powell's blow the government will think again about snap elections.

The children of the mother of parliaments are clearly discontent. They don't turn up on voting day, as shown by the phenomenally low turnout at mid-term poll for the control of city councils last month. It is as though the people of Britain are aware that the most serious political questions have to be resolved outside Westminster. Powell knows this. His actions within Parliament are soft-pedal accompaniments to his thunder outside. He appeals directly to his listeners and has built up a fantastic public address system which parrots and broadcasts his every word.

LAOS

The Vital Infrastructure

Harish Chandola

THE largest hospital in liberated Laos is in a cave. It is called the Laos-Vietnam Friendship Hospital because it was built with Vietnamese co-operation. In fact much of its equipment came from North Vietnam. North Vietnam had received it for its own needs but when it realised that the needs of the liberated area of Laos were more pressing, it gave that equipment to Laos. The large cave for the 100-bed hospital was completed on December 28, 1972, and it received its first patient on February 7, 1973.

When I visited it, there were 37 in-patients in the 84 room hospital. A steel door about a foot thick at the cave entrance was opened to let me in. Inside there was a long corridor, on both sides of which were out-patient clinics, operation theatres, dental surgeries, dispensaries, wards, administrative offices, aglimmer with electric lights. The hospital had 7 doctors, 15 medical assistants and 30 nurses.

Dr Pumak, who heads the hospital, had studied medicine in Paris and had

Still, because of his position within the Tory right wing, he can do nothing but arouse emotions. He can initiate no rank and file action. It is an untenable position, one which Oswald Mosley relinquished in order to form a real fascist movement. From where he is, Powell speaks to the people, but nobody speaks to him. On the industrial front he has no appeal and no support. Consequently both sides of industry reject his fascist formulations. Two days ago the workers of the Chrysler plant walked out in response to a bitter feud between them and the American management. Chrysler corporation have just put out a new model called the Avenger, whose sudden popularity and high sales have been sabotaged by the workers' resistance to a speed-up on the assembly line with no pay increase. The corporation's reply was not made to the union or the workers. They sent out a public letter saying that unless the workers came to heel, Chrysler would not invest any more money in Britain. The message went to Ted Heath — "deal with labour or we will deal with you". Poor man, he has enough headaches dealing with the flutations of his top colleagues, with ladies of ill-repute, with Soviet agents, and now through Enoch's speech with the supposed enemy, the Labour party.

also done post-graduate work in surgery there. He has been working in Lao Patriotic Front hospitals for seven years. His wife is a gynaecologist, also trained in France, and is working in the same hospital. I asked Dr Pumak why he chose to work in the liberated area when the Vietnamese Government would have offered him a far better-paid job and a higher position? After all, there are not many Lao medical graduates. He said, when he was a student he saw the US bombing and destroying his country and he felt very angry. It was then that he decided that he must join his people in fighting against US aggression. He felt that it was his patriotic duty to look after the health of his people so that they could be fit fighters and able bodied peasants. He did not want to seek ways for his personal advancement. It was the US intervention in Laos which brought him to work in the liberated area. He just joined his people.

What were the common ailments in

that area? The most common of them, he said, was getting hit by US bombs. The second was malaria, and the third, intestinal ailments like dysentery. The hospital, he said, was safe from even the heaviest US bombing. It had five electric generators, all inside caves, and if one failed, another was switched on.

He then took me on a tour of the hospital and showed me two new operation theatres, departments of ear, nose and throat, ophthalmology, gynaecology and obstetrics, radiology, a laboratory and isolation wards for infectious diseases. Most of them had brand new equipment, much of which came from China. Other equipment was mostly from the East European countries, though there were a few items of equipment and medicines from western countries, sent by their Red Cross societies.

Every district in the liberated area has a hospital of its own with 20 to 30 beds. Every province has a bigger hospital, with 50 beds, and each village clinic has five to seven beds.

Everyday, as we sat inside our cave talking or having a meal, we would hear US planes flying overhead and, sometimes, anti-aircraft guns going into action. But no bombs fell in the area where I was. One day, as we were driving out of our cave to visit a big printing house inside a cave in another area, an armed Lao Patriotic Front officer who sat in the front seat of the vehicle and scanned the sky for planes, said something to the driver who then pulled the vehicle under a tree. The vehicle was already decked like a tree with freshly-cut branches tied to its sides. It took me some time to locate the US jet bomber. I could spot it only when it came almost overhead. I think it was a Phantom F-4, on one of its missions of murder. It circled overhead a couple of times, seemed unsure about whether the faint movement it had seen on the dirt road was a vehicle, and flew away. But then it dumped its bombs in our neighbourhood on some boys and girls broadening Highway No 217, on which we were travelling. The young people were in the process of taking cover when the plane swooped on them and injured a few caught in the open.

I later visited a printing house located in a man-made cave in another mountain. One reached the cave entrance by climbing some steps. Its manager, Kieng Kham, offered us tea and said the printing house was established in 1950, during the struggle against the French. At first there were only six persons working in it and the old and primitive printing equipment had to be moved from place to place to hide it

from the French. Paper and ink were in short supply. In 1953 Sam Neua was liberated from the French and the printing house was moved into Sam Neua town. There the number of workers was increased and new equipment added. In 1957, after the Geneva Agreements and the establishment of national concord, the printing house was moved to Vientiane, the Laotian capital. There, more machines were obtained. But the rightist elements in the Laotian government created many difficulties for the printing house. Then the Rightist coup took place on August 9, 1960, and many members of the Lao Patriotic Front, including its Chairman, Prince Souphanouvong were arrested. And so the printing house had to move back to Sam Neua.

Because Sam Neua province was continuously bombed by the US, the Central Committee in 1969 decided to excavate the present cave to house the printing equipment. Now the printing house had more than 100 workers and when I was taken around, I saw treadles, flat-beds, a rotary and a colour printing machine. Most of the machines were from China.

THREE MAIN TASKS

It was busy printing a weekly newspaper of the Patriotic Front, which is distributed all over the country. It was also printing large paper flags, in colour, of both the Front and the Cambodian Government of Prince Sihanouk. There was also a stack of school text-books it had printed and another of some political documents. Kieng Kham said the printing house had three main tasks: to print documents, books and the newspaper, to obtain higher skill in printing and train others in the profession and to fight against US aggression. (They also grew vegetables to be self-sufficient.) While leaving, I was presented with a small diary of important events in Laos, printed there in the Lao language.

I also visited the broadcasting station called "The Voice of Pathet Lao", also in a cave, and attached to it, a school to train engineers in handling broadcasting equipment and another to train broadcasters. The station was set up in 1960. It is on the air for 19 hours daily, broadcasting in three languages — Lao, Vietnamese and French. It closes down at midnight and starts again at 5 am.

In another part of the cave, functioned the school for technicians and engineers. There were large transmitters, amplifiers, public address systems, recording equipment, being dismantled and reassembled again by some trainees

to make them familiar with the working of the equipment. In an adjacent room a class was in progress dealing with circuits, printed circuits, electron tubes, transistors, capacitors, transformers, and experiments were being carried out with the help of oscilloscopes on photo-electric circuits, computer circuits, electronic switches, signal tracers, etc. From their looks, one guessed that the students in that class came from villages and not from sophisticated societies like in our cities, from where our own electronics students come. They were diligently learning to handle all that complicated scientific equipment, and those who had learnt were operating and maintaining it, under extremely difficult conditions, more expertly than we in our so-called advanced cities do.

This was the new civilisation that was being created in war-ravaged Laos, where you need not have to put up artificial appearances to match your profession or vocation. There, like in North Vietnam, it was difficult to tell, by just looking at a man, that he was a doctor, a surgeon, an administrator or a party leader. They looked like any other citizen of their countries. In our country we assume poses to suit our vocation — start smoking a pipe, develop an accent or grow long hair — to differentiate ourselves from our common people and thus assume importance. But in the liberated area of Laos and in North Vietnam, the effort of the leaders is to identify themselves fully with the people and not to assume importance because of the nature of their work. In Laos and Vietnam you can never make out a person who might have spent long years abroad and then obtained specialised knowledge from a peasant because his aim is to identify himself completely with the common people of his country.

Another day I visited a textile mill also housed in a cave. Initially, it was a vast natural cave, enlarged later when more spinning and weaving equipment was received. At the time of my visit, it had 20 automatic looms and several other automatic machines producing various items like under garments, sarongs and shirt material.

The mill, the manager said, was started in 1964, in the open. But it was bombed twice. Though no one died, much equipment was destroyed. It was therefore moved into the present cave.

Most workers in the mill (there were 250 of them) were women and all of them had families. There was a crèche looking after babies when mothers were

at work. There was a common kitchen too. But those wishing to cook themselves, or wanting special dishes, could prepare them at home.

One group of workers, off-duty, was erecting a new structure, under the cover of an overhanging cliff, to store cotton bales. All the quarters and the extension of the cave for the mill were built by the textile workers themselves.

A CAVE FOUNDRY

Not far from the textile mill, across a river, was another set of caves housing a foundry. In the caves were an ingenious smelting plant, casts into which molten metal was being poured, lathes, turning machines, cutters, including gear-cutters, and five-ton hammers, all electrically operated. The foundry made a vast variety of agricultural implements and articles for household use. In the store for finished goods, one could see buckets, spades, sickles, hammers, hatchets, files, pliers, tongs, spoons, scissors, spanners, wood-working implements, nuts and bolts of all sizes, and large items like axles and machine parts.

The foundry was started in 1965. The first job of its workers was to assemble the textile mill in the cave. I asked the person in charge where he had obtained the supply of raw material for his foundry? He said initially it came from unexploded US bombs in the area which one could collect in plenty after a bombing raid. The metal casings of those bombs were melted and turned into implements. But now, since the foundry was enlarged, raw material for it came from North Vietnam, China and other socialist countries.

In the neighbourhood of both the textile mill and the foundry there were terraced fields. They belonged to the workers who grew some of their food requirements themselves during their spare time.

In other caves there are all kinds of institutions and working places, from workshops repairing tanks and radar to art schools. The liberated area has everything: electricians, engineers, printers, weavers, smelters, broadcasters, radar men, anti-aircraft gunners, tank troops, soil experts, teachers, doctors, in fact people to do almost any job needed to be done in that area, besides peasants and soldiers. The Vientiane government certainly does not have so many trained and skilled Laotians as the liberated area has. A complete infrastructure for a developing nation depending upon its own resources exists in the liberated area.

Medieval Barbarism in West Bengal Countryside

Ashok Rudra

PRIME MINISTER Indira Gandhi made quite a stir about a year back when she gave the verdict that the GNP could not be treated as an index of economic development for all purposes; there were aspects of economic welfare which were not reflected in that national accounting measure. Even though this is one of the elementary lessons one has to teach in any undergraduate course in national income accounting, it acquired a new halo on being pronounced by our wise Prime Minister. It was discussed a lot at that time in the Delhi economic circles, as if the foundation of a few school of developmental economics had been announced, and there was much speculation as to who among the Prime Minister's admirers could have originated this most unoriginal idea.

So GNP would not do. As a matter of fact, no single macro-economic measure would do — there have to be a whole set of indices, one index each to take care of particular aspects of economic development; level of output, level of consumption, inequality of distribution, import surplus, etc.

OTHER ASPECTS OF WELFARE

But surely there are aspects of social welfare which do not get reflected in any of the usual macro-economic aggregates or rates ratios but which are nevertheless such that unchanged conditions in them would reduce much of the importance of any improvements suggested by the more usual economic measures. Thus, many a student of Western societies would like to read, side by side with economic statistics, relating to crimes or drunkenness. The highly plausible idea here is that welfare ought not to be judged as having increased just because people have a second television set and a third motor car if, at the same time, the incidence of murder, rape and assaults on children has increased markedly. It would be similarly pertinent, when judging how far India has advanced since Independence, to

consider various non-economic spheres where one may expect to see certain indications regarding the goodness and sanity of our social system. Thus, how much satisfaction can one draw from statistics of food production and consumption and from pictorial publicity about the Bhakra Nangal and the atomic power projects, when the destitutes and beggars in the streets of our big cities seem to be just as numerous as ever before, when our slums remain as extensive, as populous and as putrid as they are? But 'Garibi Hatao' is still the slogan and there will perhaps be no hesitation at all even in official circles in admitting that as long as the indices of progress constructed to reflect progress in the matter of beggars and slums continue to take zero value (which they would take, if they could be constructed, right through the entire quarter of a century of socialist demogogy), rates of growth in aggregate consumption and aggregate incomes would have little meaning.

A CHANGE NECESSARY

But there are still other aspects of society where there must be a change before we can draw any comfort about our society becoming more civilised; some of them are such that ministers and official circles would rather not speak about them. One of them is the behaviour of the police *vis-a-vis* the citizen.

Liberal political theory would have it that the police are the guardians of law and order. But the reality as it was in pre-Independence India could be summed up by the following story:

An old village woman, gladdened by the just and generous dispensation of law in her favour by a touring Deputy Magistrate, blessed the latter in the following words. "Blessings my son! Live a hundred years and be born in your next birth as a Daroga." What after all was a Deputy Magistrate? He could at the most order around a few attendants and have free supplies of vegetables, fruit, chicken and egg from the villagers. But the Daroga: He

had the powers of a God. He could not only take any gifts he liked from anybody's field or vegetable garden or shop, he could, if his taste went that way, lift any woman from any peasant's house for a night's pleasure. If his wrath should fall on some poor villager, he could drag him to the thana, get him beaten up black and blue. Of course, there are always bigger gods over little gods; and the Daroga would be usually submissive to and in league with the local zamindars, moneylenders and other tyrants.

How far have conditions changed in this respect? GNP and, no such measures would reflect any change or absence of change in this aspect of social life in the countryside. Nor are there any objective studies that have been made of this aspect of our life. One has to go by impressions. No one person can, however, gather impressions from all parts of the country. One can only talk about first-hand experience for one's immediate neighbourhood. The present writer can, therefore, talk only about the West Bengal countryside. What he has to report may sound incredible to those who live in Bombay or Delhi; for such things as happen in the West Bengal countryside do not happen even in Calcutta.

One thing that is happening in the West Bengal countryside is the systematic use of torture by the police. The second thing that is happening is that this torture is not restricted to Naxalites or to hardened criminals to make them yield information, but may be (and is) visited upon just anybody. Just anybody may be (and is) picked up by the police without any warrant and without any obligation to answer anybody, detained at thanas and made the object on which sadistic police personnel can satisfy their appetite for brutality. The third thing that is happening is deliberate and systematic harassment of ordinary citizens by the hordes of armed ruffians who happen to be the guardians of our law and order.

TORTURE IN THANAS

The first item mentioned above, namely, the practice of torture by the police in thanas, is too well known and generally accepted to require any argument to show that it exists. The French military police used to practise it on Algerian guerillas and for years liberal intellectuals in France

fought the establishment over the issue and thus precipitated a crisis of conscience in the country as a whole. It is a characteristic feature of our kind of democracy, our kind of liberalism in this country that we all know what happens at thanas — it happens not only in the West Bengal countryside, but in every part of the country — but the public at large, including the most enlightened, the most law-minded and the most liberal, are not the least perturbed by it. It is well known that whoever gets brought to a thana by the local police runs the risk of being subjected to physical violence which may range from a mere few slaps and blows to such torture as may make the person unconscious or even lead to his death. This is so whether the person has been brought on charges of petty theft or on charges concerning the security of the state (like the alleged Naxalites) or on no charges at all. Such direct and pre-judicial inflictment of punishment is of course sheer barbarism and is not sanctioned by any of the country's laws. But such violation of the sanctity of the citizen's person took place during the British regime and it still takes place. And that is a measure of the progress in civilisation that has not taken place in the country! Why do our leaders, who talk of income and distribution and production and planning, never mention this continuing and systematic barbarism inside the country's thanas? Why do members of our judiciary who have fought so valiantly for the protection of the fundamental rights of citizens not made an issue of this regular practice of physical torture on persons produced before them by the police? Why does Mohit Sen, who is always sending out such good news about the social progress that is taking place under the collaborationist regime of the CPI in Kerala, never make any report about how much the thanas in Kerala have been cleaned up of this barbarism?

REMINISCENT POLICE

To come to the second point, we have first to elaborate the third. This third aspect of life in the West Bengal countryside *vis-a-vis* the police is more reminiscent of the immediate pre-British period than the British period. Literary and other historical records show how during the decline and fall of the Mughal Empire the countryside was overrun by marauding hordes of men in arms who used to commit all

kinds of atrocities on the rural population. If it be said that conditions in the West Bengal countryside are not very different today, it would sound like an exaggeration. But those who live in the West Bengal countryside know that people live in constant fear of the police. Young people are afraid of moving around late in the evening: they may get picked up any time by police vans and charged with such offences as (i) offending the sensibilities of the 'decent' citizens by having long hair or colourful shirts; (ii) engaging in immoral traffic (this if a young couple are caught taking a walk together or if a person accidentally becomes a witness to police personnel carrying on the traffic in women that they engage in everywhere); (iii) engaging in preparing for a war against the country or attempting to murder (this if a young man is found in possession of Left political journals which are registered and are available anywhere with newspaper vendors or, say, the collected works of Lenin or Mao); and, most serious of all, (iv) being involved in the reorganisation and revitalisation of the Naxalite movement (this in the case of all young people who might happen to meet and have any social dealings with any young men who might have been detained on charges of being a Naxalite and who have been released, either unconditionally or on bail).

LIVE IN FEAR

Not only young people. Women live in fear, lest they be insulted or molested. Villagers live in fear. Cases are frequently heard of a whole village full of people being beaten up by police parties who might have had some reason to be annoyed with some individuals belonging to the village.

Conditions like this prevailed in Bengal during the days when our villages were subjected to raids by Dutch and Portuguese pirates; that such conditions prevail under the government of Indira Gandhi, devoted to the cause of the poor and the unemployed, may sound incredible to the gullible who voted for her. But what is said above can be checked by whoever is prepared to take the trouble of living for a few days in the West Bengal countryside.

This brings us back to our second point about torture at thanas. Whoever gets brought to the thana — whether on charges of Naxalite re-

groupment or on grounds of carrying on with Santal women — stands every chance of being beaten up. Everybody seems to know about the arbitrary arrests and the very common occurrence of subsequent physical torture at thanas, but one either accepts it fatalistically or does not know what to do. For, the local level experience in every thana area is that protests never yield any results.

RELEASE WORSE THAN DETENTION

This police terror takes a particularly sinister form when it concerns suspected Naxalites. One has heard a lot about the summary killing of Naxalites by the police and there has been some amount of public attention focused on the illegality of thousands of young people being kept under detention without trial. But much less is known about what the police do to Naxalites whom they are obliged to release. This in most cases is resulting in a worsening of conditions for the young people involved. Release means the throwing back of a young man from the relative security of the inside of a prison to the mercy of a brutalised police. Release means rearrest and rearrest means further beating up at the thanas. Release means constant harassment by the police — raids, searches, interrogations. Furthermore, this harassment and bullying is not confined to the released detenu: the treatment is generously extended to all who come in contact with him. The declared purpose is to prevent any fresh regrouping of the Naxalites. The real purpose would seem to be to drive a young person to moral annihilation by denying him any society, any human contacts, any occupation, any means of livelihood (excepting that of a police informer). In terms of sheer cruelty, and the damage it can do to a young person's personality, this is certainly at par with physical torture and detention without trial. But its effects on society as a whole go deeper. Thus our society is gradually getting conditioned to accepting such atrocities and crimes committed by the police as quite normal — regrettable but unavoidable.

Fascism is a term which, like feudalism, has been done to death by indiscriminate use as a jargon in Left literature; so we shall not use such terms. But with full sense of history one can say that what is reigning in the West Bengal countryside is sheer Medieval Barbarism.

The Neglected Matrix

Industrial Relations in Kerala by K Ramachandran Nair, Sterling Publishers Private Limited, New Delhi 110016; pp 437; Rs 45.

THE book under review, according to the author, is intended to remove misgivings about the communist mentality of the Kerala worker which "has proved a barrier to the flow of investment capital into the State". The author concludes that his study has shown that the type of labour-management relations that have developed in Kerala can be "a guide and model for the rest of India".

The author has started from a wrong hypothesis. He has not given any evidence to show that the flow of capital into the state has been hindered by the alleged "indiscipline, impertinence, lack of respect for authority and communist mentality on the part of the Kerala worker". On the other hand, there is ample evidence that the business community has not felt shy of Kerala labour. The houses of Tatas, Birlas, Bangurs, Thapars, Chettiars, Somanis, Patodias, Binanis, Dalmias and Khemkas, are all operating successfully here. Even people with hardly any previous industrial experience and resources, like Desais and Anands, have been able to take capital into Kerala and to establish modern industries there with American and Japanese capital participation. Philips Petroleum in petroleum refining, Canadium Aluminium in aluminium and Cominco Binani in zinc smelting, are all here. At the same time, the industrial units of the big monopoly houses have almost doubled their capacity. In the sixties, Tatas were keen to enter the titanium industry. Birla had plans to enter the textile field in a big way, initially by taking over the sick mills. Even now, Thapars are trying hard to get a letter of intent revived for setting up a Rs 40-crore titanium complex. A well known American food-packing company is coming to put up, jointly with Agro Industries Corporation, a meat-processing plant, as well as allied industries, after putting aside a similar scheme sponsored by the KSIDC with FAO assistance.

Only local people, who have had no industrial experience elsewhere, blame labour for the industrial backwardness of Kerala. To understand the real reasons for backwardness, one should look elsewhere, not towards labour.

Industrial relations reflect the state of a society. They are not defined merely

by material benefits or by the struggles to improve them. When a worker accepts employment, he places himself under a discipline, the ways and means of which he seldom understands. Only after he is in, does the worker feel the need for collective influence "to regulate recruitment and training, the pace and methods of work, the allocation of men and tasks, promotion and seniority, and discipline and dismissal". The author of this book has failed to comprehend the nature of the society of which the worker is a part, and so to put industrial relations in their proper perspective. Consequently, he has reached some conclusions of a kind often heard in drawing rooms of the new industrialists emerging from the feudal class or from the adventurous among the petty bourgeoisie. A typical example is: "that agitation is in the blood of a Malayalee is no exaggeration". This may be an easy way of avoiding rational explanation; but it is not a scientific method of studying a complicated subject. Again, "it is the Machiavellian shrewdness and intelligence of the Malayalee that enables him to confer or deconfer leadership titles on any one of his leaders and, whatever his ideology or political affiliations may be, the Malayalee sticks to him for a lifetime. One can find more than a dozen of such old veterans in the trade union movement whom the working class of the present generation would never like to give up in the union activities.... They hold in their hands the destinies of the state and on them depend the prospects of industrial peace".

Apart from such remarks, which could well have been avoided without any loss to the main theme, the book will definitely be useful as an introduction to further studies of industrial relations in Kerala. The author had made a lucid historical review of work and wages, trade union movement, employer associations, industrial disputes and their settlements, and collective bargaining. The review ends with 1964-65. He has also made case studies of labour-management relations in Fertilisers and Chemicals Travancore Limited (FACT) and in the smelter unit of Indian Aluminium at Alupuram. Both are in the industrial belt of the Ernakulam District. The real problems in Kerala relate

to: pressure of population on land, high level of literacy, acute unemployment and underemployment. There are two types of industries here, the traditional labour-intensive industries with low technology, like cashew and coir, and modern sophisticated industries, like chemical fertilisers and petroleum refining. Most of the statistical information examined relate to cashew, coir, plantations, textiles, and knitting and bricks and tiles. It has been difficult to make any positive conclusions about the extent of disputes, duration, time-loss, worker involvement and participation and frequency. Though minimum wages have been fixed for as many as 22 industries in the first group, the level of wages has been invariably lower than the need-based subsistence minimum and the implementation of it has been also tardy. Further, industries like coir, cashew and tiles, which provide the greatest employment, have been threatened with either raw material shortage or declining markets. It is this gloomy prospect before the traditional industries that makes the industrial climate look depressing. On the other hand, modern industries in Kerala are comparable with similar ones elsewhere in the country. What people outside seldom understand, is the almost smooth working of unofficial industrial relations committees, the conciliation machinery, and the collective bargaining — industry-wise and factory-wise — in spite of the multiplicity of unions. This is an area for further research. Another aspect, which requires close study is the management outlook in modern industries. Any evaluation of labour-management relations would be incomplete unless it is made in relation to the attitude of the managements towards other factors of production. The management objective should be optimisation of various factors of production, not simple maximisation of labour efficiency.

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Choice of Alternative Technologies Vital Task in Science and Technology Planning

Amulya Kumar N Reddy

The Approach to the Science and Technology Plan prepared by the National Commission on Science and Technology (NCST) contains no explicit picture of the national goals which the plan for science and technology is supposed to subserve. It adopts no particular pattern of growth, production, consumption or income distribution to constrain and channel the approach to the science and technology plan.

One immediate result of this is that "the areas of prime importance" in the science and technology plan have not been derived from any explicit pattern of development of the country. Rather, one must work backwards and attempt to discover the type of India which will result from the successful implementation of the science and technology plan.

Another result is that the numerous panels of the NSCT have not been given directive criteria regarding the choice of technologies; hence, the science and technology plan which emerges may well be at cross-purposes with the socio-economic plan — a result which is precisely what was hoped to be avoided by the setting up of the NCST.

An alternative approach to the science and technology plan must begin by assessing the pattern of socio-economic change over the past 25 years and then decide what pattern of socio-economic growth should be preferred in the national interest. From this pattern of growth, criteria for the choice of technologies must be derived.

It is the definition of these criteria which should constitute the essence of the alternative approach. For, the transmission of these criteria to the various NCST panels for mandatory use in the selection of science and technology tasks will ensure that the plan for science and technology will be directed towards the same objectives as the socio-economic plan.

This paper seeks to suggest some lines along which such an alternative approach to the science and technology plan may be developed.

THE preparation of a Science and Technology Plan by the National Committee on Science and Technology (NCST) will, for several reasons, constitute a landmark in the country's history. The plan will be the first such detailed exercise. Further, it is an expression of the government's commitment to the view that "scientific and technological activity must, and can be, planned towards the fulfilment of national goals". Finally, as many as 1,800 scientists, technologists, economists, etc., would have actively participated in discussions on the definition of R and D priorities and the formulation of scientific and technological tasks. Such a democratisation is in itself an achievement and a valuable precedent.

During the course of, but not prior to, the preparation of the Plan, the NCST has defined "An Approach to the Science and Technology Plan" and offered this document for public discussion and debate. The task of responding to the NCST is not easy because

- (1) the problem is complex;
- (2) there are a vast number of ideas in the Approach Paper, but these ideas have to be extricated from

the complicated terminology of western science policy studies; and

- (3) the constituent sub-sections of the Paper have not been woven with logical connections and continuities into a structure with all emphases and interrelationships made manifest.

Notwithstanding these difficulties, the importance of the subject warrants a serious response to the genuine offer of the NCST.

THE NCST AND NATIONAL GOALS

The NCST has taken up the challenge of "planning for science and technology in the context of national goals". An assessment of the NCST Approach Paper should therefore commence with a critical examination of what national goals it has adopted as targets. In the words of the document, "what is this science for?" and "what is the technology supposed to do?" are the two crucial questions which must be asked and answered before the formulation of a plan. The document goes on to state: "neither question appears to have been

asked in the past... An attempt to answer the questions would involve an analysis of the broad social and economic setting of each of the areas of scientific activity... Such analyses have not been made".

Assuming the validity of this judgment, one would have expected the NCST to adopt one of the following two courses of action. The NCST could have devoted considerable effort to answering the two questions and thus clearly delineated the national goals. Or it could have acted upon its realisation that the formulation of a science and technology plan must be an integral part of the process of social-economic planning and attempted to derive an approach to the science and technology plan from the Planning Commission's "Approach to the Fifth Plan". Strangely enough, the NCST has not adopted either course of action. Thus, the NCST Approach Paper contains no explicit picture of the national goals. It adopts, no particular pattern of growth, production, consumption or income distribution to constrain and channel the approach to the science and technology plan.

The immediate result of such a method has been that "the areas of prime importance" in the science and technology plan have not been derived from any explicit pattern of development of the country. Rather, one must work backwards and attempt to discover the type of India which will result from the successful implementation of the science and technology plan. Another result is that the numerous NCST panels have not been issued with directive criteria regarding the choice of technologies; hence, the science and technology plan which emerges may well be at cross-purposes with the socio-economic plan — a result which is precisely what was hoped to be avoided by the setting up of the NCST.

METHODOLOGY OF ALTERNATIVE APPROACH

If an alternative approach to the science and technology plan is to be attempted, such an approach must commence with an assessment of the pattern of socio-economic change over the past 25 years, and then decide what pattern of socio-economic growth should be preferred in the national interest. From this pattern of growth, criteria for the choice of technologies must be derived. It is the definition of these criteria which should constitute the essence of the alternative approach. For, the transmission of these criteria to the various NCST panels for mandatory use in the selection of science and technology tasks will ensure that the plan for science and technology will be directed towards the same objectives as the socio-economic plan. The purpose of this paper is to suggest some lines along which such an alternative approach to the science and technology plan may be developed.

In the 25 years since Independence, a tremendous amount of growth has taken place. The Gross National Product has increased considerably. The production of all industrial commodities has shot up. A vast variety of goods has appeared on the markets. Many prestigious products such as aircraft, ships and electronic instruments are now made in the country. On the agricultural front, the 'Green Revolution' has taken place and food production has increased markedly.

Despite these successes, it is well known that the picture is not all rosy. The sharp polarisation of society into haves and have-nots has been accentuated by the 25 years of industrialisation. This cleavage has been dramatically revealed by statistics of the severe maldistribution of incomes and expenditure.

Though the exact figures have been

debated because they involve definitions of poverty and minimum needs, the broad pattern is simple: about 90 per cent of India's population (456 million) have a per capita income of less than Rs 3,000 per year (Rs 250 per month) whilst only 5 per cent (25 million) have a per capita income of over Rs 5,000 per year (Rs 417 per month). Further, the top 10 per cent (50 million) accounted, in 1967-1968, for 24 per cent of the total expenditure in contrast to the bottom 60 per cent (304 million) which accounted for 37 per cent of the total expenditure. More glaringly, the annual consumption of the 25 million in the top 5 per cent, *viz.*, Rs 3,640 crores, was slightly higher than the Rs 3,500 crores spent by the bottom 30 per cent.

Thus the pattern of growth adopted hitherto has led to a sharp polarisation: a society of the top 10 per cent which includes, apart from rich businessmen and the landed aristocracy, politicians, bureaucrats, civil servants, rich peasants, professionals like scientists and engineers, and the bulk of organised labour; and a society of the bottom 90 per cent consisting mainly of the rural poor. The market economy encompasses almost exclusively the top 10 per cent which has emerged as a politically powerful, urban-oriented Indian elite. At the same time, the bottom 90 per cent, and in particular the bottom 40-50 per cent, exists in poverty outside the market economy.

It is also of crucial importance that the polarisation is associated with rural stagnation and impoverishment, with massive rural unemployment and underemployment, with mass migration to the metropolitan centres and with chronic balance-of-payments difficulties. Hopes that the benefits of industrial growth will percolate to the countryside and reduce income disparities have not been borne out by experience; in fact, it appears that the growth of industries of the type set up thus far has only accentuated the evils of rural impoverishment and unemployment, income disparities and balance-of-payments deficits.

TECHNOLOGICAL BASIS OF INDIA'S PRECIFICAMENT

In seeking out the root cause of India's predicament, it should be noted that the pattern of industrialisation adopted thus far has been based entirely on the technology of the developed world, *i.e.*, Western technology. This is a capital-intensive technology designed primarily to reduce labour, to supply vast markets and to produce goods for individual consumption. Its prolific development has invariably led to increase

in the degree of automation, in the scale of production and in the sophistication of luxury goods. Such is the brand of technology that has been imported into the country over the past 25 years through the medium of over 3,000 foreign collaboration arrangements.

Indian large-scale industry based upon this foreign, but now domiciled, technology, finds a market for its luxury products almost solely among the top 10 per cent of the country's population. It finds its managers, technical personnel and skilled labour among this same group. It gets its capital from the top 5 per cent and from the Government (either directly or indirectly from the financial institutions). The relative scarcity of capital, the shortcomings in management, techniques and skills, the restricted character of the market, the difficulties in procuring raw materials and spares — all these lead generally to underutilisation of capacity and to inefficient operation compared with similar industries in the West. Nevertheless, the demand for its products from the top 10 per cent has sustained the seller's market in which this domiciled technology thrives. Innumerable illustrations of this argument can be cited, but perhaps none is as widely appreciated as that of Indian automobiles. There is no doubt, therefore, that the top 10 per cent derive a large number of direct and fringe benefits from sustaining a Western-brand technology.

The converse is also true: imported Western technology, in its turn, sustains and consolidates the top 10 per cent, through the following mechanism. When capital-intensive technology operates in a country in which capital is scarce, this capital tends to concentrate in large urban plants and shy away even more from the rural economy. One result of this concentration of capital is a sharpening of the contrast in living standards, opportunities and outlook between the urban rich and the rural poor. Another result is a restriction on the number which can be absorbed into the capital-intensive metropolitan sector.

The basic cause of India's grave problem now seems clear. Western technology has buttressed the polarisation of Indian society into a dual society with a small, comparatively rich, acquisitive, conspicuously consuming, politically powerful, city-centred elite drawing its ideas and values from the West, and a large mass of poor people left out of the circle of production and consumption by the lack of employment and purchasing power. In short, the import of Western technology has created and bolstered metropolitan pockets of Western-orient-

ed affluence amidst vast expanses of rural poverty.

Such a development should cause no surprise. For, technology is like genetic material; it carries the code of the society in which it was produced and survived, and tries to replicate that society. To the extent that Indian conditions are not favourable to Western technology, this replication succeeds only in pockets. Thus the adoption of a Western pattern of technology into the Indian context must be viewed as the initiation of a package-deal which includes, on the one hand, metropolitan centres of relative affluence and, on the other hand, rural poverty, mass unemployment, income disparities and deficits in balance-of-payments.

A warning note should be sounded here to the effect that the contents of this package-deal will not be significantly altered if technology imports are replaced by the indigenisation of a Western pattern of technology, *i.e.*, by the imitation, adaptation and innovation of capital-intensive, labour-saving, luxury-oriented, large-scale technology. In this sense, even if the top 10 per cent become self-reliant with respect to foreign technology, that brand of self-reliance will not transform the lives of the bottom 90 per cent of India's population.

Some may think that the source of the Indian crisis lies, not in the adoption of Western technology, but in not adopting it *in toto* on a grand enough scale. Their solution is still more massive doses of Western technology. Others may argue that there is nothing intrinsically defective in Western technology, it only produces deleterious effects when transplanted into a tradition-bound society with scarce capital and abundant manpower.

These views have been rebutted by the youth of America and Europe who have risen against the results of the 'successful' application of Western technology in their own societies. They have shown that the unfettered quest for consumer goods erodes the quality of life, pollutes and destroys the environment, upsets the ecology and recklessly squanders natural resources. And above all, the desperate hunger for extra-territorial natural resources and for overriding influence in markets invariably leads to the perfection, and thence to the use, of the means of war. Western technology has become military technology to such an overwhelming extent that, in the eyes of many, technology is a curse. Its hoary traditions of being a boon to mankind are being fast forgotten amidst the horrors of science-based warfare.

It is clear that India's salvation lies in the development of an alternative technology. To derive the features of such a technology, one must examine whether an alternative pattern of economic growth has a rationale.

AN ALTERNATIVE PATTERN OF GROWTH

In recapitulating the national predicament, it should be emphasised that the past 25 years of industrialisation have driven home the following lessons. Growth is not synonymous with development. Increases in the GNP do not necessarily mean diminishing inequality and poverty. Economic development has overwhelming human dimensions. Investment in Western-style industrialisation does not necessarily solve the unemployment problem. Luxury consumer goods have a high import content and any increase in the production of such goods aggravates, rather than alleviates, the problem of balance of payments. If foreign aid is tied to industrialisation on Western lines, the country becomes more, not less, dependent; it is even forced to borrow money to pay the interest on money already borrowed. Above all else, "the existence of poverty... holds a potential threat to the unity, integrity and independence of the country" — according to the Planning Commission.

Thus, whether the Indian situation is looked at from the point of view of survival of the country, of humanism towards the poor and down-trodden, or of political pragmatism and economic realism, it becomes vital to work out a pattern of growth basically different from the present pattern in which the distribution of consumption expenditure is weighted far too overwhelmingly in favour of the top 10 per cent.

It is clear that this alternative pattern of growth must involve a radical redistribution of consumption expenditure so that there is a major shift in favour of the poorest sections of the population. Such an alternative has in fact been worked out and recommended as the "preferred variant" in the Planning Commission's "Approach to the Fifth Plan".

The variant has been preferred not merely because of its higher humanistic content, but also because it shows considerable improvement in the balance of payments when compared to the past and present pattern of growth. According to estimates, a reduction of 15 per cent in the consumption expenditure by the top three deciles of the population and an equivalent increase in the expenditure of the bottom three deciles will lead to a saving in foreign exchange of

Rs 2,000 crores over the Fifth Plan period. That is, the alternative pattern of growth must be preferred for two equally important reasons: (1) it will lead to greater reduction of poverty and, therefore, greater national stability, unity and integrity; (2) the goals of zero net aid and self-reliance can be achieved more quickly. These significant fringe benefits result from the fact that "there is a positive correlation between reduced inequality and self-reliance" because "the consumption pattern of the lower income strata has a much lower import content, compared to the middle and upper income strata... Any redistribution of consumption in favour of the poor is, therefore, found to have a favourable impact on the balance of payments. Greater equality and progressive self-reliance... are mutually reinforcing".

TECHNOLOGICAL IMPLICATIONS OF REDUCED INEQUALITY

The essence of the preferred pattern of growth is that there should be a major shift in the distribution of consumption expenditure in favour of the poorest sections of the population (in favour of the bottom 30 per cent of the population, according to the Planning Commission's "Approach to the Fifth Plan"). Such a shift can take place only if this poorest group (which lives mainly in rural areas) has more to spend by virtue of greater employment, and if there are essential goods which this group can afford to buy with its greater earnings. Thus, the reduced-inequality model of economic growth requires employment generation in rural areas, a dispersal of mini-production units to the countryside and the production of inexpensive goods of the mass consumption variety.

All these requirements of the reduced-inequality model have technological implications. In particular, the recommended pattern of growth compels and demands that preferences must be exercised in the choice of technologies. Some of these preferences are listed below:

- (1) a preference for capital-saving and employment-generating, rather than capital-intensive and labour-saving, technologies;
- (2) a preference for cottage-scale and small-scale, rather than large-scale, technologies;
- (3) a preference for the technologies of goods appropriate for mass consumption, rather than for individual luxury consumption;
- (4) a preference for technologies requiring little skill or small modifications in the skills of tradi-

- tional craftsmen like potters, weavers, blacksmiths, carpenters, cobblers, tanners and oil millers;
- (5) a preference for technologies using local materials, rather than materials which have to be imported from abroad or transported from distant parts of the country;
 - (6) a preference for energy-saving, rather than energy-intensive, technologies;
 - (7) a preference for locally available sources of energy such as the sun, wind and manure gas;
 - (8) a preference, in the machine building and machine tool sector, for the technology of mass-producing, scaled-down, dispersible, miniaturised factories, rather than the technology of mass-producing consumer goods;
 - (9) a preference for the technologies of manufacture rather than *machinofacture*;
 - (10) a preference for technologies which promote a symbiotic and mutually reinforcing, rather than parasitic and destructive, dependence of metropolitan industry upon the rural population.

The above set of preferences are for what may be termed the technologies of inequality reduction. Opportunities for the exercise of such preferences are not limited; they abound in a vast number of areas. The identification of such choices is necessarily a task for a large number of involved people. Fortunately, there are some groups concerned with the problem, in particular, the Appropriate Technology cell of the Ministry of Industrial Development. Leather tanning and footwear, ceramics (including pottery), food processing and, preservation, agricultural tools and implements, wooden furniture — these are a few of the promising areas which have been easily identified. It is clear that the number of technological choices will increase with the number of people committed to the task.

One can illustrate some features of the problem with the concrete case of the manufacture of dry cells used in torches and transistor radios. Today, barring the fabrication of the extruded zinc cans, the rest of the assembly of a dry cell can be done on a small scale. In fact, the Central Electrochemical Research Institute, Karaikudi, is offering the knowhow for the manufacture of 1.8 million cells per annum by about 40 workers. It would take about 33 such producing units employing a total of 1,650 workers to produce 60 million cells per annum. Current industrial li-

censing, however, is for large-scale factories each capable of producing 60 million cells per annum with only about one-fifth the number of workers. The point, however, is that the cells from the small-scale unit are not inferior performance-wise to the cells from the large-scale factory. In fact, when one considers the poor shelf life of dry cells at Indian ambient temperatures, the customer is more likely to get a 'full capacity' cell by bicycle distribution from a local producer than by rail-cum-truck transport from a distant factory. Hence, considering that 14 units have been recently licensed with a new/extra capacity of 60 million cells each, one can see that the opportunity for the employment of about 20,000 extra people has been lost by the preference for large-scale production.

It should be stressed here that the scale of 1.8 million cells per annum is not the lowest possible scale. It is possible to go down to a cottage-scale of 1,500 cells per day by 10 workers. It is also possible, by suitable design of hand-presses and mixers, to effect drastic reduction of capital and generate a production technology which is not very different from that used by housewives to make 'murkus' ('chaklis').

ROLE OF SOCIAL COST-BENEFIT ANALYSIS

It must be stressed here that in recommending preferences for alternative technologies, it is not proposed that they be chosen irrespective of cost considerations. In the case of each decision involving a choice of technology, it is necessary to carry out a complete analysis of the economics of the two options. But this economic analysis must not be based on the techniques of investment appraisal which is used by the private sector. Such techniques are confined in scope to the consideration of financial returns and cash outlays.

For instance, the well known argument in cases such as that of dry cells discussed above is that the unit cost of a product often goes down with increasing scale. Indeed, from the figures furnished by CECRI, it appears that the unit cost of a 'small-scale' dry cell is about Rs 0.70 per cell in comparison with about Rs 0.60 per cell produced in the large-scale factory.

However, such strictly financial appraisals of a project do not yield an adequate picture of its advantages and disadvantages to the community at large. It may therefore be necessary to employ the technique of social cost-benefit analysis which reckons with the social costs and social benefits attribut-

able to a project. Thus, in the dry cell case, the individual firm chooses large-scale production, irrespective of the price paid by society in the form of further concentration of purchasing power in metropolitan centres, of generation of further pressures for urban housing, schooling, health and transport facilities, of increased unemployment, of greater load on over-loaded transport systems (the raw material requirements for the 60 and 1.8 million cells per annum plants are 17 and 0.5 tonnes per day, respectively), etc. Society, however, must reckon with all the social costs and benefits.

In making social cost-benefit analyses for the choice of technologies, there are three reasons why it may be necessary to avoid using money costs and prices. Firstly, capital in India frequently appears cheaper than it really is, because public sources make available finance at interest rates lower than would have to be paid in the open market. Secondly, labour often appears more costly than it really is because the real cost (so-called social opportunity cost) of employing a hitherto unemployed worker is nil, a consequence of the fact that society is not foregoing any production in withdrawing him from what he was previously doing, viz, nothing. Thirdly, the cost of foreign exchange often appears lower than the international market rate because government rations the foreign exchange and allots it to successful applicants at rates below what these applicants would (rules apart) have been willing to pay rather than go without. These cost distortions make it rational for private and public enterprises (which largely see the issues only from the viewpoints of their own undertakings) to choose a type of technology that uses more capital and foreign exchange and less labour than would be in the best interests of the country. Hence, the cost-benefit analysis for the choice of technology is best based, not on market prices, but on so-called shadow prices which reflect the policy-maker's best estimates of the real costs of capital, labour and foreign exchange from the social point of view.

In choosing technologies for projects, the application of cost-benefit analysis can be envisaged to lead to the categorisation of four types of projects:

- (1) projects in which the alternative (capital-saving, labour-intensive) technology is more economical even taking into account existing market prices and production methods;
- (2) projects in which the alternative

- technology can become more economical on the basis of market prices provided there are improvements in production methods and technology (better design of tools, for example);
- (3) projects in which the alternative technology is costlier on the basis of market prices but cheaper if shadow prices or real costs are used;
 - (4) projects in which capital-intensive technology is more economical from a cost-benefit point of view even if real costs are taken into account.

It is only in the last that capital-intensive technology must be chosen unhesitatingly. For the third and second types of projects, the alternative technology must be chosen, but simultaneous attempts must be made to move the projects into the first category through technological advances. Alternative technology is, of course, a must for the first category of projects.

ALTERNATIVE PLAN FOR TECHNOLOGY

The first major step in the formulation of an alternative technology plan should be the application of cost-benefit analysis techniques to various sectors of industry and agriculture. The purpose of such an exercise would be to determine those projects in which alternative (inequality-reduction) technologies are more economical. In other words, a categorisation of existing and proposed projects into the four types listed above must be made. In this work, economists and cost-benefit analysts have as important a role to play as scientists and technologists.

Once various sectors or projects are selected for the adoption of inequality-reduction technologies, it becomes necessary to formulate the technological tasks that must be undertaken with a view to generating advances in these technologies and making them even more socially beneficial.

It must be stressed here that very few of the many possible technologies of inequality reduction are available indigenously. They are also not in vogue in the developed countries which have adopted precisely the opposite set of preferences, i.e. preferences for capital-intensive, labour-saving, luxury-oriented, skill-demanding, synthetic-based, large-scale, mass-production technologies. Thus, a vital part of an alternative plan for technology will consist of the development of a whole gamut of alternative inequality-reduction technologies. This aspect has

received no attention in the 'areas of prime importance' described in the NCST Approach Paper.

There are other technological tasks which arise from the fact that there is a significant, on-going, large-scale industry. Apart from examining the export potential of large-scale industry, two sections of this industry must be distinguished. Firstly, there are sections of this industry which have been proved on social cost-benefit grounds to require capital-intensive, large-scale technology. Needless to say, these sections of industry must not be starved with sub-critical technological inputs. The aim should be self-reliance in these technologies, which perhaps include nuclear energy, petrochemicals, etc. However, the growth of this socially beneficial section of large-scale industry must not be allowed to clash with the preferred pattern of economic growth weighted in favour of the poor and needy. Secondly, there are sections of large-scale industry which are unremunerative from the social cost-benefit point of view. Many industries devoted to large-scale production of luxury consumer goods are likely to fall into this class. If such industries are permitted to continue with their pattern of production, they should be restrained by suitable policies from squeezing out small and cottage-scale competitors. Or, these industries must be transformed so that they produce, for example, plants, machines, components, sub-assemblies or parts to be fed into rural industries. Electronics appears a particularly promising field for a symbiotic relationship between urban and rural industries.

Thus, there are a number of technological tasks which derive from the country's intention to change from the present pattern of growth to an alternative inequality-reducing pattern of growth. All these tasks need incorporation in the science and technology plan.

It is virtually certain that the alternative technologies for inequality reduction will not be either low or primitive technologies. The demand for new approaches to production engineering based on minimising capital, energy, scale and skills without sacrificing product quality, cannot be satisfied without a mastery of engineering. Emphasis on locally available materials requires advances in the science of materials (coir, bagasse, etc) that are not commonly used in conventional Western technology. That is, new applications of materials science (e.g. jute reinforced plastics) are required. The demand for rural electrification has already outstripped supply, and alternatives to nuclear-

power and hydroelectric-power and to petroleum products may have to be considered in order to achieve the dispersal of energy production. The harnessing of wind power merits examination. The problem however presents a different challenge from that in the West because Indian winds mostly have low velocities (5-10 KPH) and are seasonal. Windmills based on advanced aerodynamic designs, perhaps the generation of hydrogen and oxygen by electrolysis when winds are blowing, and the operation of hydrogen-oxygen fuel cells during wind-less periods — all these require new approaches to energy conversion and production. Thus, alternative technologies are bound to be advanced technologies, advanced, not in scale of production, but in their high science and/or technology content.

Apart from these inequality-reduction technologies, there are the technologies for meeting minimum needs. The point is that "even with expanded employment opportunities, the poorest sections will not be able, with their level of earnings, to buy for themselves all the essential goods and services which should figure in any reasonable concept of a minimum standard of living". In other words, there must be a national programme of meeting minimum needs, such as education, health, nutrition, drinking water, housing and communications. The technological tasks arising from such a programme are huge and complex. Many of them are probably new in the sense that they have not been accomplished elsewhere. For instance, the problem of bringing scientific ways of thinking to a population accustomed to believing that man's destiny is not in his own hands, or the problem of educating a massive population of illiterates when there is a desperate shortage of capital resources — these are challenging problems which are unlikely to be solved by tinkering and by Lilliputian efforts. These complex problems will require advanced thinking and wholly new technologies. The corresponding technological tasks must form part of the science and technology plan, as indeed they are sure to, judging from the section in the "Approach to the Science and Technology Plan" on the "areas of prime importance".

In conclusion, therefore, the core of the approach to the technology plan must consist of the technological tasks associated with the development of technologies for inequality reduction and for meeting minimum needs.

Failure by the NCST to urge this overwhelming emphasis may lead the

various NCST panels to recommend projects that buttress the present pattern of economic growth already so heavily weighted in favour of the top 10 per cent. It is worth remembering here that virtually all the personnel involved with the preparation of the science and technology plan belong to the top 10 per cent, and the bulk of them have strong affiliations to Western technology. What is required however is not a technology plan based on what scientists want to do, but a plan derived from what the country needs to do. If technology therefore is to be a tool for social and economic change, the political leadership must define the directive criteria for the choice of technologies.

SOME CONSEQUENCES OF CHOICE OF ALTERNATIVE TECHNOLOGIES

The choice of alternative technologies and the commitment of the political leadership to this choice is bound to have far-reaching consequences in Indian science and Indian society. Some of these are discussed below.

(1) The most important weakness of Indian R and D institutions has been in that aspect of the innovation chain concerned with scaling-up. But the key feature of the technologies of inequality reduction is that they aim at a minimisation of scale. Thus, the weakness of Indian R and D institutions *vis-a-vis* large-scale technology vanishes *vis-a-vis* the mini-technologies of inequality reduction. These institutions can therefore grapple from a position of strength with the task of developing alternative technologies.

(2) The period of Indian science corresponding to colonial rule possessed all the features inimical to the development of science. Nevertheless, most of the outstanding contributions of Indian science, notably those of Raman and Bose, belonging to that pre-Independence era. This so-called anomaly is only partly explained by the fact that the science of those days was coincidentally 'little science' in terms of scale of funding, sophistication of instruments and magnitude of manpower. Perhaps the real explanation lies in the fact that these gains of the pre-Independence era were indigenous products with native roots.

The post-Independence phase has been characterised by huge investments in science and technology, a significant expansion of the educational system, massive imports of technology and the building up of a considerable industrial base. But the science that has emerged during this period has one key feature: it derives its fashions, its standards, its source of recognition, its stream of ideas

and its instruments from the West. This Westward-looking character of science in India today has become the main inhibiting factor in harnessing science and technology to meet national goals.

A crucial mechanism for sundering these debilitating links with the West is a commitment to the technologies for inequality reduction and for meeting national needs. These technologies, the former more than the latter, will compel Indian science and technology to turn away from the West and towards India and its people and its problems. This attempt to strike native roots again is bound to have an invigorating influence on Indian science, and perhaps lead to its renaissance.

This stimulating influence can operate effectively only if the crucial dependence on imported instruments is served. But science is basically an inquiry based on instruments, i.e. instruments are the wherewithal of science. Hence, it is only a massive effort to indigenise instrument manufacture that can direct Indian science to its historical mission, viz, the transformation of the lives of the vast majority of our people. (A recognition of the vital need for instrument development and manufacture appears to be completely missing in the NCST's Approach Paper. The NCST must realise that just as the import of industrial plants and products inhibits the growth of indigenous technology,

the import of scientific instruments inhibits the growth of indigenous science.)

(3) The turning of Indian scientists and technologists towards the technologies of inequality reduction will encourage their contact with the countryside and the rural population. This contact cannot but have a mutually educative influence. In the long run, it is this contact which will resolve the inevitable problems of language and communication characteristic of the present day polarisation into a dual society, and bring Indian science and its methodology to the Indian people.

(4) The case for alternative technologies presented in this paper should stand or fall solely on the basis of its logic and facts. Thus, the validity of the argument cannot be influenced by quoting authorities or men held in respect. Nevertheless, it is of historical interest to mention that the damage done to the rural countryside by the adoption of Western technology was foreseen by Gandhi almost half a century ago. It was also Gandhi who saw India's salvation in labour-intensive technologies — which for strategic reasons he symbolised by the "ambar charka". Within a few years after Independence, the ideas of Gandhian economics were dismissed as utopian. However, it now looks as if the situation is all set for going forward to many crucial aspects of the Gandhian economic approach.

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Centre-State Financial Relations

II—Approach of Past Commissions

This is the second in the series of articles discussing different aspects of financial relations between the Centre and the States in the context of the work of the Sixth Finance Commission.

The first article (May 12) examined the scope of the Finance Commission under the Constitution and brought out that the Constitution gives the Commission the maximum freedom to operate in the areas under its purview.

The present article reviews the approach of the five Finance Commissions, which have reported so far, to the question of resource-transfers between the Centre and the states.

The principal conclusion that emerges from the review is that if the Finance Commissions have emerged as mere fillers of budgetary gaps for the states, little blame, if any, lies with the terms of reference of the Commissions. The blame lies, really and truly, with the Finance Commissions themselves. They simply abdicated their Constitutional obligations.

If it wishes, the Sixth Finance Commission can, therefore, turn away from the gap-filling role and break new ground. The possibilities open to the Sixth Finance Commission will be examined in the next article.

IN the first article in this series (May 12, pp 873-76), it was brought out that the Constitution gives the Finance Commissions maximum freedom to operate in the areas under their purview. It is true that except for the First Finance Commission, hereafter referred to as the Neogy Commission after its chairman K C Neogy, the subsequent Commissions were required by their terms of reference to follow certain guidelines. But it is a moot point whether these guidelines, urged upon the Finance Commissions in their terms of reference, actually came in the way of their adopting a line of approach of their own preference. If they did not, cannot blame the terms of reference.

In this, the second article of the series, we concern ourselves with broad questions of approach to Centre-state resource transfers. Our examination of these questions takes on the form principally of a review of the position as it has evolved over the time-span covered by the past Five Finance Commissions. One principal conclusion that emerges in the course of this examination is that if the Finance Commission, as an institution, has emerged as a mere filler of budgetary gaps for the states, little, if any, of the blame for it lies with the Presidential orders appointing the Finance Commission every five years. The blame lay, really and truly, with the Finance Commissions themselves. They just abdicated their Constitutional obligations.

NEOGY COMMISSION'S APPROACH

Since the Neogy Commission was the one that was asked to give its dispensation without any attempt on the part of the Centre even to suggest how it might consider making its recom-

mendations in any regard, it will help in our examination of the question of approach to look, in some depth, at the approach decided upon by this Commission. In drawing up its scheme of financial transfers from the Centre to the states, the Neogy Commission explicitly proclaimed that it had followed certain guidelines. These guidelines, entirely of its own choice, were, in the Commission's words, as follows:

"Firstly, the additional transfer of resources from the Centre must be such as the Centre could bear without undue strain on its resources, taking into account its responsibility for such vital matters as the defence of the country and the stability of its economy. Secondly, the principles for the distribution of revenues between the states and the determination of grants-in-aid must be uniformly applied to all the states. Lastly, the scheme of distribution should attempt to lessen the inequalities between states."¹

Having laid down the above principles or guidelines, the Neogy Commission then drew up, what it called, a "plan of assistance" using "the methods both of devolution of [tax] revenues and grants-in-aid" but relying "substantially on the devolution of [tax] revenues for securing this transfer."²

On the face of it, all the three principles laid down by the Neogy Commission appear to be unexceptionable. Two questions can, however, be raised. Firstly, how relevant were these principles to its task? Secondly, to what extent does the approach adopted by the Neogy Commission actually reflect these principles?

That in any balanced scheme envisaging transfer of resources from one level of government to another, the needs and resources of both the levels ought to be properly assessed. In this

particular case, therefore, it was only right and proper that the Commission felt that however impressive a case the states could put before it 'for increased assistance to meet their growing needs', it was necessary to take into account "the ability of the Centre as well to assist the states by the transfer of a larger portion of its revenues". The Commission took the view that "while the states have large and expanding responsibilities for the welfare and development of the people, the capacity of the Centre to make additional resources available is conditioned both by the amount of revenue it can raise and by its own essential needs, which, in the ultimate analysis, are the needs of the country as a whole".³

STATES' AND CENTRE'S NEEDS

While there could be no two opinions that the genuine needs of the Centre relative to the resources it can raise have to be allowed for in any scheme of transfer of resources from the Centre to the states, the danger of over-emphasising this consideration must also be recognised. In fact, the really important thing is not to state the principle but to draw the line where the essentiality of states' needs start getting precedence over the essentiality of the Centre's needs in deciding upon the transfer of resources.

Let us not omit to note in this context two things. Firstly, even though the Constitution itself does not enjoin specifically on the Finance Commission to keep the Centre's own essential needs adequately provided for in its scheme of revenue transfer, the fact that the Constitution allows revenue transfers under few specific heads only,

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namely, income-tax and excise duties, a view can be taken that there is in the Constitution itself an implicit assumption to the effect that the essential needs of the Centre could be taken care of by the non-divisible heads of revenue in the Centre's list of taxes.

Secondly, even on the basis of the Neogy Commission's own review of the Centre's finances in both 1950-51 and 1951-52, the years immediately preceding its award-period, the Centre's revenues from sources other than income-tax and excise duties would have more than adequately covered the expenditure on defence and debt servicing after allowing for the costs of tax collection. Defence, debt servicing and costs of tax collection together amounted to Rs 221 crores and Rs 243 crores, respectively, as against the Centre's corresponding revenue receipts of Rs 295 crores and Rs 361 crores, respectively, in 1950-51 and in 1951-52, from all sources other than income-tax (as then defined to include income-tax but not corporation tax payable by companies) and excise duties. This means that even if almost all, say 99 per cent, of income-tax and excise revenue were given away by the Centre to the states, its essential needs would still have been met.

Thus one might legitimately raise the question if it was at all necessary, keeping in mind both the scheme of finances as envisaged in the Constitution and the actual position as well, to introduce this consideration regarding the Centre's essential needs. In fact, even a most thorough reading of the Neogy Commission's Report fails to show that this particular consideration really played any role in the scheme of transfers that ultimately emerged as a result of the Commission's labours.

EQUITY IN APPLICATION

Equity would demand the uniform application to all the states of the principles of distribution of tax revenues or of grants-in-aid. You cannot apply different principles to different states in these matters and still remain fair and equitable. Here, again, one might be cautious. It is one thing to lay down the guideline, in the name of equity, that whatever principles are decided upon for distribution between the states would be uniformly applied and another to lay down principles which themselves are equitable. Equity cannot be secured by the uniform application of inequitable principles of distribution. As we shall note, in the choice of principles for determining the actual

transfer of resources equity was almost forgotten.

The Neogy Commission chose also to attempt, through its scheme of distribution, a lessening of inequities among the states. This again is a principle with which, on the face of it, there could be hardly any quarrel. But we ought to be quite clear about what we mean by inter-state inequality in the context of inter-governmental financial transfers.

When the Neogy Commission's Report speaks of lessening of inter-state inequalities what it seems to have in mind are inequalities in the level of "basic social services" provided by the government. "An important purpose of grants-in-aid", it says, "is to help in equalising standards of basic social services." Thus, according to the Neogy Commission, "of the two states whose budgets, with the adjustments already indicated, point to the need for an equal amount of assistance, the one with a significantly lower level of social services should (in our view) qualify for a higher amount of assistance than the other with a relatively high level of such services".⁵

The objection one could raise to this approach towards lessening of inter-state inequalities is not that the equalisation of basic social services is not desirable but that there is implicit in the Neogy Commission's approach the assumption that the states with lower level of social services are necessarily the ones which are also the "poorer" states — an assumption which could find little support from the data with respect to primary education presented in the Commission's own Report. Travancore-Cochin, with the highest enrolment of 98.9 per cent, was certainly not the richest state. Nor were Punjab and Pepsu, with the lowest enrolment, the poorest of states. Uttar Pradesh did not qualify for specific-purpose grants-in-aid because its enrolment proportion happened to be above 30 per cent.⁶ This and the fact that whereas Travancore-Cochin did not qualify for such grants-in-aid but Punjab did should be enough to demonstrate the weakness of the Neogy Commission's approach to lessening inter-state inequalities.

But even more objectionable, from this particular angle, was the Commission's ready acceptance, for the devolution of tax revenues, of such criteria as could hardly be said to advance inter-state equality. It accepted "budgetary needs" as "an important criteria for determining the eligibility

of a state for grants-in-aid as well as for the assessment of the amount of the grants-in-aid".⁷ It is relevant to bring out here that while the Neogy Commission's general grants-in-aid added upto Rs 5 crores a year, its primary education grants added upto Rs 1.5 crores in the first year and Rs 3 crores in the last year.

IN THE FOOTSTEPS OF OTTO NIEMEYER

It is true that the Commission felt that "in using the budget as a basis for this purpose, several adjustments" are necessary in the state budgets not only to arrive at "what might be broadly termed a normal budget" but also to allow for relative tax effort and "for possibilities of economy in expenditure".⁸ It is true also that in accepting "budgetary needs" as the major criterion for the determination of grants-in-aid to the states, the Neogy Commission was following in the footsteps of Otto Niemeyer who in fixing grants-in-aid for Provinces "preceded from the premise that each Province should be so equipped as to be able to enjoy a reasonable prospect of maintaining financial equilibrium" and so determined the need of each Province on the basis of his examination of its budget, "making necessary adjustments in the budget to make it reflect as far as possible the prospective position of a Province".⁹

But these facts do not detract from the force of the objections based on grounds of equity and equality. The budgetary needs of a state, as reflected in its budget deficit, are no reliable index of the relative economic position of that state relative to that of another state. Whether or not a state incurs a budget deficit and of what magnitude reflect more the revenue effort of the state in relation to its expenditures than the state's revenue-raising capacity in terms of its per capita income and the dispersion of that income. Further, the fact that, under the Neogy Commission's dispensation, Punjab and West Bengal (both high per capita income states) qualified for Article 275 general purpose grant and Uttar Pradesh and Bihar (below average per capita income states) did not, should demonstrate how the Commission's own guideline, namely, lessening of inter-state inequalities, was vitiated by the approach to the actual manner of devolution adopted by the Commission.

What is even more objectionable about making the so-called budgetary need as the basis for determining a state's entitlement to grants-in-aid is

that it puts a premium on budget deficit. The Neogy Commission was quite aware of this because it itself says that "if the amount of grants-in-aid were to be merely in proportion to the financial plight of state, a direct premium might be placed on impecunious policies and a penalty imposed on financial prudence". The higher the deficit a state succeeds in establishing for the purposes of the Finance Commission, the greater is its entitlement to grants-in-aid. This is highly objectionable on economic grounds because it creates a strong disincentive to tax effort and to economy in expenditure.

Add to the above the fact that the Neogy Commission recommended (i) the inter-state distribution of the states' share of income-tax on the basis of 20 per cent weightage for collection and 80 per cent for population, and (ii) the inter-state distribution of the states' share of excise duties on the basis of population only and one is naturally led to ask how, if at all, did the Commission attempt to lessen inter-state inequalities. Collection as a basis of distribution was clearly weighted in favour of the 'richer' as against the 'poorer' states and population, as a basis of distribution ignores altogether the existence of income disparities among the states.

In the circumstances, the conclusion is difficult to avoid that the actual "plan of assistance" adopted by the Neogy Commission not only reflected little of equity and equality, but in fact violated the canons of equity, equality and also economic efficiency.

A VICTIM OF THE PAST?

What is it, one might well ask, that militated against the self-chosen guidelines of the Neogy Commission so as to make it put forth a plan of resource-transfer that hardly reflected these guidelines? True, Otto Niemeyer had, working under the more or less comparable provisions of the Government of India Act of 1935, chosen the same method of effecting transfers from the Centre to the states. But the point of the matter really is whether this was the only way open first to Otto Niemeyer and then to the Neogy Commission.

What, if any, was the compulsion to interpret the words "in need of assistance", used in Section 142 of the Government of India Act of 1935 and repeated in Article 275 of the Constitution, to mean in need of assistance to meet the budgetary deficit or gap?

One could say this for Otto Niemeyer, however, that at least he did not swear by equity and equality. His

goal was an extremely limited one, namely, that of enabling each Province to enjoy the prospect of maintaining financial equilibrium. The Neogy Commission, on the other hand, proclaimed explicitly that it would attempt, through its plan of assistance, to lessen inter-state inequalities. How could the Neogy Commission work out broadly the same scheme of resource-transfer as Otto Niemeyer? The Commission's terms of reference did not seek to impose on it any extraneous constraints as to what it should, or should not, take into account in giving its dispensation and still it failed to break a new path and adopt a fresh approach to the question of effecting resource-transfer from the Centre to the states.

FOLLOWING FOUR COMMISSIONS

The four Finance Commissions which followed the Neogy Commission have more or less retained the same scheme of transfers except for two changes. Firstly, the Second and subsequent Commissions did not continue with the specific primary education grants-in-aid. Secondly, the Finance Commission's grants-in-aid came to be viewed as a device to help deficit states meet not their overall deficit on revenue account but only their 'non-Plan' deficit on revenue account.

Let us deal first with how it came about that the Finance Commissions concerned themselves only with the non-Plan deficit on revenue account. Once the subsequent Finance Commissions followed the Neogy Commission in regarding as their major task the budget deficit (however calculated), it was only a logical sequence to the establishment of a Plan, covering both the Centre and the states, whose financing was separately determined and provided for, that what remained to be covered by the Finance Commissions was only the non-Plan deficit on revenue account. Actually, however, it was the Fourth Finance Commission (the Rajamannar Commission) which formally "confined itself to non-Plan revenue expenditure vis-a-vis the revenue receipts anticipated in the coming five-year period".¹¹ In fact, it could perhaps be asked right here whether the logic should not extend further. A plan's financing is not decided upon in vacuum. In the case of each state's Plan, the content of Central support will depend upon the surplus or deficit its budget is expected to yield annually on its non-Plan account. Therefore, if the Finance Commission did not cover a state's non-Plan deficit in its award, such deficit would have to be

taken care of through Central assistance for the Plan. The same position would obtain should the Finance Commission's award seek to cover a state's non-Plan deficit partially. In either case, ultimately the non-Plan deficits of states have to be provided for through Plan finance. That being so, why, it might well be asked, did any other Finance Commissions have at all to concern itself with filling the state's non-Plan revenue deficits?

As regards the discontinuation of the specific-purpose grants-in-aid for primary education, the Second Finance Commission (the Santhanam Commission) did it on the ground that "it is the function of the Planning Commission and National Development Council to ensure the equalisation, as far as practicable, of the standard of essential social services in the various states of the Union". Having taken this view, the Santhanam Commission apparently felt that all that was left to it to do was to help the states balance their revenue budgets.

The Santhanam Commission, therefore, accepted for the purposes of its scheme of devolution that the Plan ensured "an equitable development in the field of social services".¹² This abdication by the Finance Commission of its role in the field of social services in favour of the Planning Commission cannot be blamed on the Terms of Reference of that particular Commission. What, one might ask, was the Santhanam Commission's view with respect to the agency responsible for improving the standard of essential administrative services? This question was never posed but there was nothing to prevent the Commission from arguing that the improvement of basic administrative service being an essential prerequisite to successful implementation of the Plan was rightly and properly the function of the Planning Commission.

Having forewarned all interest in the improvement of either essential social services (this was made explicit) or administrative services (this was not made explicit), the Santhanam Commission apparently felt that all that remained to be done, after giving its dispensation on tax sharing, was to help the states to balance their budgets. This is how the Santhanam Commission put it:

"In our scheme of devolution, we have sought to close the revenue gap for each state as nearly as possible and we believe that with reasonable prudence on their part all the fourteen states should be able

to balance their budgets."¹³

As has been argued by us above, the Santhanam Commission might as well have left even the task of balancing the state's revenue budgets to the Planning Commission. The Constitution did not place any specific obligation on the Finance Commission to help states balance their revenue budgets. Nor did the terms of reference of the Santhanam Commission require it to do so.

TERMS OF REFERENCE

It is true that, as stated earlier, the terms of reference of the Santhanam Commission, as of the Chanda Commission which followed, asked it to specifically give regard, among other considerations, to "the requirements of the Second Five-Year Plan" and "the efforts made by the states to raise additional revenue from the sources available to them", while recommending grants-in-aid for the states in need of assistance. But the particular reference to the requirements of the Plan, however exceptionable on grounds of Constitutional propriety, could not be construed as, in any sense, an attempt to restrict the Finance Commission's freedom. If anything, it could be construed as an invitation by the Centre to the Finance Commission to lay down a scheme of resources transfers which would cover not only normal expenditures but also developmental expenditures provided for in the state plans. There certainly was nothing in the terms of reference of the Santhanam Commission to suggest that specific purpose grants-in-aid for purposes of improving the standards of essential services in the states, was outside of the purview of the Commission because improvement of social services was the function of the Planning Commission.

The Chanda Commission seems to have, more or less, accepted the Santhanam Commission's view that it was no longer the function of the Finance Commissions to seek to improve or equalise the standard of services provided by the state governments. Even the Rajamannar Commission, whose chairman personally subscribed to the view that "ex facie, there is nothing in this Article [Article 275] which confines its operation to filling up of any gap",¹⁴ recommended grants-in-aid to the states on the basis only of its assessment of their non-Plan revenue gaps.¹⁵

The Tyagi Commission, which followed, states its position on the question of whether or not the Finance

Commission could consider providing for improved services at the state level in these terms:

"It has been argued before us that while our terms of reference exclude the requirements of Plan schemes, they do not contain an embargo on our considering increased expenditure so as to improve the levels of specific social services outside the Plan and that it was open to us to recommend grants for meeting such increases in expenditure. We are not, however, able to agree with this view as it would blur the entire division of functions between this Commission and the Planning Commission."¹⁶

The above view was taken by the Tyagi Commission even though it felt that in "a purposive scheme of federal finance" it was "desirable to see that the transfer of funds is so designed as to assist adequately the states with comparatively less capacity to raise resources". On the specific of helping backward states "to come up to the average level of services", however, the Commission felt that this was a matter "to be decided not merely on fiscal considerations, but with due regard also to the promotion of a sense of national unity". Evidently the Tyagi Commission felt that it would not go into these other considerations. So, like the earlier Commissions, the Tyagi Commission too did no better than attempt to help states fill up budgetary gaps, not as worked out by the states but by the Commission. It would be quite relevant to bring out here that, according to the Tyagi Commission, several states as well as "a number of eminent witnesses" commented adversely on the gap-filling approach of the Finance commission on the ground that it "puts a premium on disregard of proper fiscal management".¹⁸

However, the operative reason given by the Tyagi Commission for not undertaking to help backward states to improve the level of their services was not that the Constitution precluded the Commission from such a task but that to agree to do so "would blur the entire division of functions between this Commission and the Planning Commission". The Santhanam Commission was much more positive in that in its opinion improvement in the standard of social services was a proper function of the Planning Commission. The Tyagi Commission did not put it that way. It did not undertake to consider the improvement of state services in order not to come in conflict with the Planning Commission.

But the question really is: was there any basis whatsoever for a con-

flict between the Finance and Planning Commissions on the question of improving state services? Even though the Neogy Commission's recommendation for a specific purpose grant was made for the explicit purpose of improving a basic social service, namely, facilities for primary education, the recommendation was not rejected by Parliament. It is worthwhile recalling that the Planning Commission was already in existence for almost two years when the Neogy Commission reported. If only the Santhanam Commission, instead of completely abdicating its responsibility for the improvement of state services, had enlarged on the Neogy Commission's concept, probably the question of conflict that bothered the Tyagi Commission might not have arisen at all. But was the damage so irreparable that the Tyagi Commission could not undo it? That remains an unresolved question.

TWO GUIDELINES

It remains further to ask whether the principal approach to the questions of resource-transfer from the Centre to the states as it has emerged over the terms of five Finance Commissions was at any stage influenced by the terms of reference set out in the Presidential Orders appointing these Commissions. It has been noted already that the terms of reference of the First Finance Commission did not attempt, in any manner whatsoever, to influence the Commission's approach and still the Commission decided to follow an approach whose ultimate objective turned out to be to fill the budgetary deficits, if any, of the states. The terms of reference of the Second and Third Finance Commissions were similar. They did include two guidelines, one urging that the Commission's dispensation should have regard for "the requirements" of the Plan and second requiring that the Commission shall take into account the state's own efforts at raising revenues.

Whatever view one might take about the desirability of the Presidential Order attempting to lay down any guidelines whatsoever, it is difficult to see any connection between the guidelines actually set out for the Second and Third Finance Commissions and their decision to continue the gap-filling approach. The Second Finance Commission not only showed no qualms of conscience about this approach but, as we have seen above, in fact went out of its way to "emphasise" the importance of covering the budgetary gap.

However, when we come to the Fourth Finance Commission's terms of reference, we can discern in the guidelines included therein a built-in requirement to use grants-in-aid for the purpose of filling the states' budgetary gaps. In its terms of reference, the Fourth Finance Commission was told that in its calculations for the purposes of Article 275 grants-in-aid, the Commission should forecast the states' revenues "on the basis of the levels of taxation likely to be reached in the financial year 1965-66" and the states' expenditure so as to include not only committed expenditure with respect to schemes completed during the Third Plan but also "any further expenditure likely to devolve upon those states for the servicing of their debt". While no reference was made in the terms to the states' tax effort, the Commission was asked to have regard for "the scope for economy consistent with efficiency" in the states' administrative expenditure. The terms of the Fifth Finance Commission were broadly similar in this respect.

The question we have now to ask ourselves is: what is it that could have made the Centre virtually commit itself to a gap-filling line of approach implicit in the terms of reference of the Fourth and Fifth Finance Commissions. The answer possibly is that since, on the basis of

the record of the first three Commissions, to none of which had it been even remotely suggested in at least their terms of reference, it is clear that the Finance Commissions regarded their role principally as one of gap-filling, the Centre was only attempting through the terms of reference of the subsequent Commissions to ensure, firstly, that additional tax effort by the states was left out of account as a resource available for the Plan, secondly that certain types of expenditure were allowed for and, thirdly, possibly, that the exercise did not degenerate into a "mechanical" one in which the states would possibly vie with each other in inflating their expenditures and depressing their receipts for the forecast period. By undertaking to become "gap fillers", the Finance Commissions were not only encouraging laxity in fiscal management but also discouraging tax effort on the part of the states.¹⁹ In the circumstances, the Centre was not really committing itself to this gap-filling approach but only accepting the reality of a sort of commitment by successive Finance Commissions. But if this answer is valid, it should follow also that the Sixth Finance Commission could, if it felt a sufficient sense of revulsion for the gap-filling approach, break new ground without any fear of Central disapproval. To the possibilities open to the Sixth Commission we shall

apply ourselves next.

Notes

- 1 See Report of the Finance Commission, 1952 (i.e. Neogy Report), Chapter I, para 22.
- 2 See Neogy Report, Chapter I, para 20.
- 3 See Neogy Report, Chapter I, para 19.
- 4 See the Report, Chapter VII, para 20.
- 5 See the Neogy Report, Chapter VII, para 20.
- 6 See the Neogy Report, Chapter VIII, para 130.
- 7 See the Neogy Report, Chapter VII, para 17.
- 8 See the Neogy Report, Chapter VII, paras 17, 18 and 19.
- 9 These quotes too are taken from the Neogy Report, Chapter VII, para 7.
- 10 See the Rajamannar Report, para 7.
- 11 See the Santhanam Report, para 65.
- 12 See again the Santhanam Report, para 65.
- 13 See the Santhanam Report, para 97.
- 14 See the Minute by P V Rajamannar, para 5, appended to the Rajamannar Commission's Report.
- 15 See the Rajamannar Report, para 80.
- 16 See the Tyagi Commission Report, para 2.9.
- 17 See the Tyagi Commission Report, para 2.8.
- 18 See D T Lakdawala, "Union-State Financial Relations," p 56-60.
- 19 See D T Lakdawala, "Union-State Financial Relations," pp 56-60.

FROM THE CHAIR

The Andhra Bank Limited

Speech of the Chairman, Shri K Gopal Rao

THE following are excerpts from the speech of the Chairman, Shri K Gopal Rao, The Andhra Bank Limited, at the Fortyninth Annual General Meeting of the Shareholders held on June 16, 1973.

REVIEW OF THE YEAR

The year 1972 has been a good year for your Bank despite the general economic climate in the country and the somewhat unfortunate staff relations in the Bank itself, to which I shall refer later. During the year under review, the Bank opened 40 branches taking the total number of branches at the end of the year to 279 excluding Extension Counters. The deposits increased from Rs 79.91 crores to Rs 109.50 crores registering an increase of 37.03% as

against a 17.43% increase for the banking industry as a whole. The Bank's advances have increased from Rs 52.48 crores to Rs 68.51 crores registering an increase of 30.54% which is far higher than the increase for the Banking industry which was 6.8 per cent. The Bank's investments in Central and State Government securities increased by Rs 7.75 crores during 1972. The profits increased from Rs 12.21 lakhs to Rs 16.11 lakhs.

LAST QUINQUENNIAL

As the Bank enters the Golden Jubilee Year, it also completes a quinquennium under Social Control, in terms of which a whole time Chairman and Chief Executive was appointed in

your Bank. It is only relevant and proper that I should review for you the achievements of the Bank in this 5 year period and compare this with your Bank's performance during the preceding 5 years.

In the field of Branch expansion, your Bank has opened 164 branches during the 5 years 1968 to 1972 and of these 152 branches are opened in Andhra Pradesh. As against this, the Bank could only open 40 branches during the years 1963 to 1967. It has been our endeavour to open as many branches as possible in the rural areas so that the Bank could be an effective instrument of growth and serve the largest number of people in Andhra Pradesh. It has not, unfortunately, been possible to open as many branches as

we would like to have, in the Telengana region partly due to the tensions between the Telengana and Andhra regions and partly due to manpower constraints. In the twin cities of Hyderabad and Secunderabad as many as 14 new branches have been opened during the last 5 years taking the number from six to twenty.

NEW SERVICES

As you are aware, several new techniques have been employed by your Bank in branch expansion like Cluster branches, one man branches, pilgrim centre branches, branches in educational institutions, etc, with a view to inculcate banking habit and render service to all segments of the society. Some of these techniques have been perfected and it should be possible in the coming years to employ them more effectively and reap the benefits in fuller measure. It is our ambition that as soon as possible the Bank should give the fullest coverage to Andhra Pradesh so that no customer — present or prospective — should have to travel more than 5 miles to get service from your Bank.

DEPOSITS

In the matter of deposit growth, the Bank's deposits increased from Rs 39.69 crores to Rs 109.50 crores during 1968-1972 recording a rise of Rs 69.81 crores as against an increase of Rs 21.51 crores during the previous five year period 1963-1967. During this period your Bank introduced several new schemes for deposit mobilisation notable among them being the Kiddy Bank scheme which has caught the imagination of the young children and through them of their parents. There is considerable scope for further deposit mobilisation by fuller use of the existing schemes and drawing up new ones.

ADVANCES

While the Bank's advances have increased from Rs 27.29 crores at the beginning of 1968 to Rs 68.51 crores at the end of the year 1972, the growth in the previous 5 years (1963-1967) was from Rs 10.25 crores to Rs 27.29 crores. The rate of growth of advances in the Banking industry had not been uniform in the last 3 years; the increase of advances in your Bank has

been of the order of Rs 10.82 crores in 1970, Rs 6.21 crores in 1971 and Rs 16.03 crores in 1972.

ASSISTANCE TO WEAKER SECTIONS

Consistent with the social objectives set for the Banks, every endeavour is being made to step up advances to priority sectors and weaker sections of the community. At the end of the year 1972, our advances to the agricultural sector including direct and indirect advances amounted to Rs 10.49 crores: of these the direct advances stood at Rs 9.54 crores spread over nearly 80,000 borrowers. The average loan per agriculturist worked out to Rs 1,200/- approximately.

As has been mentioned by me in my earlier statements, though your Bank is in the private sector, it has associated itself voluntarily with all schemes drawn up by the Government both in the field of agriculture and in other priority sectors. This is as it should be since we are one of the only two banks in the private sector chosen for the Lead Bank role. We are Lead Bank for six districts, five in Andhra and one in Orissa. Your Bank is financing primary co-operative societies and small farmers under the Small Farmer Development Agency Scheme (SFDA) in Srikakulam and Ganjam districts and under the Marginal Farmers and Agricultural Labourers Scheme (MFAL) in Vizag district; similar schemes would be taken up shortly in Cuddapah and Nalgonda. Your Bank is financing tribals in Srikakulam district under a scheme drawn up by Tribal Development Agency. The Bank is financing minor irrigation schemes in Miryalguda, Banganpalli, Pithapuram and Samalkot under International Development Agency project with the guidance of Agricultural Refinance Corporation. The Bank has also undertaken a number of developmental schemes in its Lead Districts. The Bank has undertaken all these schemes with caution, on a scale, commensurate with our size and strength and I am glad to report that our experience of these new types of advances has been on the whole satisfactory. In spite of the drought conditions, repayment of our agricultural advances has been quite satisfactory.

The Bank has financed small scale industrial units to the extent of Rs 9.07 crores at the end of the year under review. The pattern of leading to this sector has undergone a change during the last two years. Previously the Bank

was financing mostly traditional small scale industries like rice mills, oil extraction units, etc. Your Bank is now financing many non-traditional industries, engineering units, plastic units, chemical units, highly sophisticated electronic units, etc. The Bank is also financing number of technocrats and self-employed both in the crash programme recently undertaken by the Andhra Pradesh Government and outside. At the end of the year 1972, we have financed about 300 self-employed persons. We have also been financing a number of small retail traders at several of our branches.

The Bank has stepped up substantially its financing of exports from India during the year under review.

The total advances to priority and neglected sectors including advances to retail traders amounted to Rs 22.47 crores as at the end of 1972 forming 32.8 per cent of the total advances of the Bank.

STRUCTURAL REORGANISATION

With the growth of your Bank, in the light of new management techniques and with a view to handle effectively the challenge of rapid expansion, it is necessary to decentralise administration and also restructure the organisational set up of the Bank. It is with this end in view that Regional offices in charge of Regional Managers have been set up. It is proposed to develop the Regional Offices as miniature Head Offices with adequate support to the Regional Managers in all fields of banking operations, like financing of small scale industries, agriculture, planning and development, personnel and inspection and devolve on them sufficient powers. This would enable expeditious customer service and a closer supervision on the branches in a region. A beginning has been made in this regard and the process would be speeded up. Simultaneously, other steps are also being taken with the help of the Adviser to streamline the set up at Central offices and to update the system of working, so that the organisation becomes operationally more effective to withstand the stresses and strains caused by expansion and diversification and to meet the demands of the future.

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

Bank of Baroda

Directors' Report on the Bank's Working for the Year 1972

THIS is the Fourth Directors' Report on the Bank's working after nationalisation. Along with it are submitted the Profit and Loss Account of the Bank for the year ended December 31, 1972 as well as the year-end Balance Sheet.

ECONOMIC SCENE

Although the economy had emerged largely unscathed from the pressures put on it by the challenge of the war with Pakistan, its health suffered a set-back in the second half of 1972, largely on account of the fall in agricultural production following the widespread drought. Power shortages emerged in various parts of the country.

AGRICULTURAL PRODUCTION

Foodgrain production which was a little over 108 million tonnes in 1970-71 declined to 104 million tonnes in 1971-72 and further to about 100 million tonnes in 1972-73. The buffer stocks of 9 million tonnes, partly depleted by relief supplies to refugees and to Bangladesh, are now being supplemented with imports.

On current indications the production of raw cotton, jute and oilseeds is expected to decline while that of sugarcane and plantation crops may increase marginally.

On balance, the overall decline in agricultural output in 1972-73 would be in the region of 5.6 per cent over the previous year.

INDUSTRIAL PRODUCTION

After the 3 per cent growth in 1970 and 1971, industrial production increased by over 7 per cent in 1972. A large number of industries contributed to the increase in industrial production during 1972. A major part of the improvement was, however, accounted for by high growth in the production of textiles which has a weightage of 27 per cent in the index of industrial production.

Though uneven, there was an overall improvement in capacity utilisation. There was a noteworthy improvement in industrial relations in terms of the reduction in the number of man-days lost through disputes. The capital raised by non-Government companies in 1972 exceeded the total amount raised in 1970 and 1971. Imports of capital goods have also been at a higher level in 1972, indicating the likelihood of faster growth of investment in the current year.

The present idle capacity in industries could be utilised in an optimum manner to improve the rate of industrial production in 1973 and help ease the pressure on the general price level. Conditions could turn favourable in 1973 if the monsoon turns out normal.

PRICE TRENDS

The economic situation was characterised by the emergence of inflationary pressures in 1972. The price increase of 12 per cent between January 1972 and January 1973 is the highest for any single year since 1965-66. The price index for food articles rose by 15 per cent during this period and that for industrial raw materials by 17 per cent. During this period money supply rose by 15 per cent.

BALANCE OF PAYMENTS

Our balance of payments position which had shown a remarkable improvement in 1971-72 came in under pressures in 1972-73. During the first 10 months, foreign exchange reserves registered a decline of about Rs 60 crores, notwithstanding a trade surplus of Rs 152 crores against a deficit of Rs 251 crores in the corresponding period of the preceding year. The fall in reserves is mainly due to larger debt repayments, delays in the accrual of certain promised credits and the larger free foreign exchange expenditure on imports.

Exports during the first ten months increased by 20 per cent over the corresponding period of last year, reflecting partly the impact of grant financed exports to Bangladesh. In 1972-73, imports declined for a variety of reasons: the cessation of aid-financed food imports, reduction in imports of raw cotton due to the bumper domestic crop and lower

international prices for non-ferrous metals. A genuine revival of industries would, however, boost the import bill.

It is significant to note that the net inflow of external assistance has tended to fall off. The amortisation and interest payments on past debts, often contracted under stiff terms, absorb progressively increasing amounts of foreign exchange resources. The net inflow of external resources fell from Rs 863 crores in 1967-68 to just Rs 355 crores in 1971-72. In 1972-73 the net aid transfer was around Rs 123 crores.

BANKING DEVELOPMENTS

The objectives of bank nationalisation gained focus during the year. A decision was taken to introduce the Differential Interest Rate Scheme. The Boards of Directors of the nationalised banks were made broad-based. The new Boards, announced in December, include for the first time a representative each of the award staff and officers, thus making a beginning in participative management.

The Government constituted six Regional Consultative Committees, each comprising a group of contiguous States. The formation of such Committees marks the beginning of association of the State Governments with regional banking developments. The discussions at these Committees will help to identify and solve regional banking problems.

An important development was the publication of the Report of the Banking Commission. The report is under consideration of the Government and the Reserve Bank of India.

DIFFERENTIAL INTEREST RATE SCHEME

The Scheme was originally confined to 130 backward districts. Loans were to be given to specified categories of disadvantaged sections of society who live by their own labour. The rate of interest to be charged was fixed at 4 per cent. Every bank was required to give upto ½ per cent of its outstanding advances in the previous year. The Scheme did not seem to get off the ground. In the latest Budget the Finance Minister, Shri Y B Chavan, announced certain welcome improvements in the Scheme which, it is hoped, would help implementation of the Scheme in a more satisfactory manner.

A new system of statistical reporting — Basic Statistical Returns (BSR) — was introduced by the Reserve Bank of India in October 1972. This was done with a view to systematising the reporting of banking data and to ensuring the availability of fairly comprehensive information with a minimum time-lag.

With a view to explaining the importance of an effective information system to the officers looking after the submission of statistical returns at regional offices, a seminar was arranged in December last at Bombay by the Department of Statistics. Shri A Raman, our Director and the Chairman of the Committee which suggested the new system of BSR, was the chief guest at the function.

PROGRESS IN RETROSPECT

The past year was not quite satisfactory for the banking system. The growth rates of deposits and advances showed downward trends. Banks were highly liquid during the greater part of the year. Advances to the priority and neglected sectors continued to remain stagnant.

Bank credit expanded by only Rs 346 crores in 1972 against Rs 599 crores in 1971, Rs 812 crores in 1970 and Rs 570 crores in 1969. The rate of credit growth dropped sharply for the banking system to 6.9 per cent in 1972 from 13.5 per cent in 1971. Banks could utilise only about one-fourth of the deposit accretion during 1972 against a little less than one-half of the deposit growth in 1971. In 1970, deposit mobilisation and credit expansion were almost of the same order while mostly during the sixties credit expansion exceeded deposit growth. The surplus resource position brought down the credit-deposit ratio of the Banking System to 66.3 per cent from 72.8 per cent over the year.

From the angle of deposit growth 1971 was better than 1972. In absolute terms the deposit growth of the order of Rs 1,209 crores in 1972 showed a marginal fall of Rs 43

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crores. However, there was a marked decline in percentage terms — from 22.0 per cent in 1971 to 17.4 per cent in 1972. This decline against the background of budgetary deficits requires to be analysed thoroughly.

BRANCH EXPANSION

Following the hectic pace of branch expansion after July 1969, the year under review was one of consolidation. New branches in 1972 numbered 1,763 against 1,801 in 1971 and 2,133 in 1970. The number of new offices opened in unbanked centres during 1972 was 838 as against 1,073 in 1971.

The total number of branches increased by 6,477 or 78 per cent during the period of three and a half years, that is, from July 1969 to December 1972. Branches in rural areas witnessed a two-fold increase. The population served per branch improved from 65,000 at the end of June 1969 to 37,000 at the end of December 1972.

SATISFACTORY PERFORMANCE

Bank of Baroda continued to make satisfactory progress all round in its business during the year under review. As a result, the profit subject to bonus for the year was higher at Rs 240.51 lakhs as against Rs 218.79 lakhs during 1971.

DEPOSIT GROWTH

During 1972, Bank of Baroda's overall deposits registered a rise of Rs 106.59 crores or 21.82 per cent. The rise recorded during the year was higher than that of the previous year both in absolute as well as in percentage terms. During 1971, the Bank's deposits had increased by Rs 68 crores or 16.18 per cent. The improvement in our deposit accretion was all the more significant in view of the fact that there was a slow-down in the growth rate of deposits for the banking system as a whole. Moreover, the Bank can take legitimate pride for registering the highest deposit growth in 1972 for any single year during the last six years. During the year our deposits of overseas branches grew at the rate of 19.5 per cent.

As a result of the faster branch expansion in rural and semi-urban areas, during the past 3½ years, the growth rate of deposits in these areas has increased substantially. During 1972 deposits of our Bank's rural and semi-urban branches increased at the rate of 36.6 per cent and 24.2 per cent respectively as compared to the 12.4 per cent rise recorded by urban branches and the 22.7 per cent rise recorded by branches in metropolitan centres.

At the end of December 1972, the share of deposits of rural and semi-urban branches in total deposits of the Bank's Indian branches worked out to 24.6 per cent as against 23.2 per cent a year ago. The share of metropolitan and urban branches continued to be quite high at 75.4 per cent at the end of 1972 as compared to 76.8 per cent a year ago.

CREDIT EXPANSION

The total credit extended by Bank of Baroda during 1972 expanded by Rs 38.87 crores as against Rs 27.33 crores in the previous year. The credit expansion would have been larger but for a sharp decline in advances for food procurement. In percentage terms the rate of credit expansion during 1972 at 11.51 per cent was higher than that of the preceding year at 8.80 per cent. The growth rate of credit for the banking system declined from 13.46 per cent during 1971 to 6.86 per cent during 1972. The Bank's advances for food procurement declined from Rs 26 crores to Rs 3.25 crores or by Rs 22.75 crores during 1972 against the increase of Rs 17 crores recorded during 1971.

Our Bank's advances for purposes other than food procurement operations increased by Rs 61.61 crores or 19.78 per cent during the year under review. The Table in the adjacent column gives a comparative position of credit expansion.

During 1972, the deposit accretion of the Bank was markedly higher than the growth of advances. About 36 per cent of the additional deposits mobilised during the year was utilised for credit expansion against 29 per cent by the banking system.

CREDIT DIVERSIFICATION

The two important features of the Bank's credit opera-

TABLE

(Rs in cro)

	Bank Credit At The End Of		Increase		Credit-Depo- Ratio	
	1971	1972	Absol- ute	Per- cent- age	1971	1
Bank of Baroda	337.47	376.34	38.87	11.52	69.1	6
State Bank of India	1138.44	1283.76	145.32	12.76	65.1	5
Other Banks	3575.73	3738.00	162.27	4.54	76.1	6
All Scheduled Commercial Banks	5051.64	5398.10	346.46	6.86	72.8	6

tions during 1972 were: (i) diversification of credit in favour of the priority and the hitherto neglected sectors and (ii) a larger flow of credit to backward regions, particularly in the Bank's lead districts. At the end of December 1972, outstanding advances to the socially preferred sectors amounted to Rs 117.77 crores as compared to Rs 95.04 crores a year ago. The advances to these sectors rose by Rs 22.73 crores or 23.9 per cent. As much as 71 per cent of the total additional advances made by the Bank through its Indian branches in 1972 went to these sectors. Advances to the socially preferred sectors have been given a heavy weightage in the Bank's credit portfolio. Outstanding advances to the priority and hitherto neglected sectors of the order of Rs 117.77 crores at the end of December 1972 accounted for nearly 34.4 per cent of the Bank's inland advances as against the similar percentage of 30.7 a year ago.

The credit expansion of the order of Rs 22.73 crores to these sectors was shared by all of them in more or less equal proportions. Advances made for the purpose of exports rose by Rs 8.58 crores to Rs 33.84 crores during the year. Assistance extended to small-scale industries increased by Rs 6.18 crores to Rs 35.31 crores. Finance to agriculture moved up by Rs 6.50 crores to Rs 38.64 crores and to small borrowers went up by Rs 1.47 crores to Rs 9.98 crores.

Special emphasis was placed on taking the Bank to the lead districts. Over 65 per cent of the branches opened in 1972 were located in the lead districts. Through these branches the Bank extended credit to the priority sectors. About a fourth of the credit to priority sectors extended by the Bank in 1972 went to the lead districts.

BRANCH EXPANSION

In the beginning of the year, the Bank had in all 633 branches — 610 in India and 23 abroad. During the year the Bank opened 74 new offices and closed two offices for their unsatisfactory functioning. As many as 44 new branches were opened in rural and semi-urban centres. Thus, at the end of the year the Bank had 705 branches — 680 Indian and 25 overseas. Of our Indian branches, 143 branches were operating in metropolitan centres, 139 in urban centres, 166 in semi-urban centres and the remaining 232 in rural centres.

LEAD BANK SCHEME

During 1972 considerable progress was made in the working of the Lead Bank Scheme. Out of the 72 branches opened in India, as many as 49 were in our lead districts. Most of these branches are located in unbanked rural centres. At the end of 1972 the Bank had 266 branches operating in our 30 lead districts. During 3½ years ended December 1972, the Bank opened as many as 176 branches in our lead districts.

The Bank had only 6 branches in its lead districts of Uttar Pradesh and only 3 in its lead districts of Rajasthan in July 1969. At the end of 1972, the number of branches in the lead districts of Uttar Pradesh had shot up to 59 and in the lead districts of Rajasthan to 41.

At the end of December 1972, the branches in our lead districts constituted 37 per cent of our Indian branches. These branches accounted for 23 per cent of deposits and 12 per cent of outstanding advances.

OVERSEAS BRANCHES

The number of our overseas branches rose from 23 to 25 during the year. In addition there were three branches of our Subsidiary in Uganda. Two new branches were opened by the Bank, one in Mauritius and the other in Fiji Islands.

Important events in countries where our Bank is operating are summarised below:

UNITED KINGDOM

The reviving optimism was obscured by events like the coal miners' strike. Retail prices continued to rise throughout the year. The Government, therefore, imposed a freeze on prices, wages, rents and dividends as a first step towards introducing long-term measures.

The Bank of England directed commercial banks to make credit less easily available to property companies and for financial transactions not associated with maintenance and expansion of industry. These measures had the desired effect.

To fight inflation, the Bank of England imposed a new 'Minimum Lending Rate' linked to the Treasury Bill Rate. It replaced the Bank Rate. With a view to bringing about a gradual moderation in the growth of money supply, it called for 'Special Deposits' from banks.

The foreign exchange market remained unsettled during the first few months of the year. It was decided to float the Pound on June 23, 1972.

All our branches in the United Kingdom continued to make satisfactory progress.

MAURITIUS

The past year was exceptionally good for Mauritius. According to preliminary estimates, national income recorded an increase of more than 10 per cent over 1971. This was mainly due to the new peak reached in sugar production. Also, higher sugar prices were obtained under the Commonwealth Sugar Agreement for 1972-74. Tourism witnessed significant expansion. The economy is expected to yield a balance of payment surplus of nearly Rs 90 million.

Mauritius achieved a growth rate of more than 10 per cent for two successive years. Banking business — both deposits and lending — increased considerably. Deposits of our branches in Mauritius have risen by 24 per cent.

Our Bank celebrated the 10th Anniversary in Mauritius on October 19, 1972. The occasion was graced by the presence of the Prime Minister, Hon'ble Dr. Sir Seewoosagar Ramgoolam. A third branch of our Bank was opened in Vacas in January 1972.

Our Bank's performance was encouraging.

FJI ISLANDS

The sugarcane crop, the mainstay of the Fijian economy, was severely affected when a hurricane struck the western districts of the Islands. The authorities have estimated the damage at F\$20 million.

The tourist industry is expected to earn around F\$40 million, that is, 20 per cent more than the previous year. The Government decided to set up a Central Monetary Authority for an interim period about 3 years before constituting an independent Central Bank. In order to combat inflation the Government formed the Price Control Board. The Government has also set up the Fiji Sugar Corporation which would take over the sugar industry from the South Pacific Sugar Mills sometime in April 1973.

Fill had its first post-independence general election in May 1972.

During the year we opened one more Branch in Nadi, bringing the total number of our branches in the country to 5. We now have branches in all the 5 important cities of Fiji. Our branches in Fiji made satisfactory progress during the year.

KENYA

After prolonged and severe drought conditions, the year 1972 witnessed good economic growth both industrially and agriculturally. Maize, tea, coffee, wheat, sisal and pyrethrum have shown a good rise during the year. Steps have been taken to increase the land under tea and pyrethrum cultivation, instal a milk plant, launch an artificial insemination programme for dairy and beef cattle and undertake several water development projects with the help of foreign countries.

A project for the exploitation of rich silver and lead deposits was undertaken during the year. A large paper mill in collaboration with the Birla Group was inaugurated during the year. Kenya's international trade showed an adverse balance of trade on account of the continued high rate of imports. Additional restrictions are, therefore,

imposed on imports of items which can be indigenously manufactured.

GUYANA

Bauxite mining which is the key industry of the country experienced a setback in its output and exports. However, the industry was able to maintain its gross earnings on account of fluctuations in the local exchange rate for the US dollar as well as improved prices for calcined bauxite.

The Government proposes to launch a Development Plan (1973-77) which aims at providing the people with the basic necessities of life. It was decided to set up an Agricultural Development Bank, a Mortgage Bank and an Insurance Organisation with the participation of co-operatives.

Our branches in Guyana showed satisfactory progress during the year.

UGANDA

Our subsidiary in Uganda — Bank of Baroda (U) Limited took over the subsidiary of Bank of India in Uganda — the Bank of India (U) Limited from 1st July, 1972.

Under the Uganda President's proclamation of August 8, 1972, all Asian non-citizens were asked to leave the country within three months.

PLANNING AND PERFORMANCE BUDGETING

With a view to introducing a system of Performance Budgeting and adoption of a Management Information System, the Bank has retained the services of consultants from the Indian Institute of Management, Ahmedabad. The consultants are presently designing a Management Planning and Information System for the Bank. They will also make recommendations on the changes that need to be made in the organisation structure. Their report is awaited. An internal team has been formed to assist in the implementation of recommendations.

The Consultants have designed a Performance Budgeting System. This is being introduced in a selected group of branches. By the middle of 1973, it is hoped that all branches in two selected regions will be operating the system of Performance Budgeting. On the basis of this experience, a regular system of performance Budgeting will be in operation in all branches of the Bank in India from the beginning of 1974.

PERSONNEL

An event of far-reaching significance was the appointment on the Bank's Board of Directors of two representatives of the staff. The award staff is represented by Shri Jitobhai N Patel of the All India Bank of Baroda Employees' Federation which is recognised by the Government as a majority union. The Officer staff is represented by Shri K C Chokshi, General Secretary of the All India Bank of Baroda Officers' Association.

In keeping with the expansion of business, the number of staff members in all categories increased by 918 to 16,099 over the year. At the end of December 1972, there were 3,588 officers, 8,319 clerks and 4,192 subordinate staff members.

During the year under review, industrial relations between the Bank and its employees were harmonious except for two regions. During June-July last, some local unions in Uttar Pradesh and Rajasthan regions not belonging to the majority union, viz, All India Bank of Baroda Employees' Federation, started agitations against the Bank's general policy of transferring officers from one State to another. These agitations disrupted for a short while the working of the branches in these regions, apart from affecting the branch expansion programme for the year.

ACKNOWLEDGEMENT

In the course of the year, Dr. D. N. Saxena was nominated as the Government Director in place of Shri A. K. Dutt. In December last the interim Board was replaced by the full-fledged Board of Directors. From the interim Board, only Dr. D. K. Desai and Dr. D. N. Saxena continue as members of the new Board. We would like to place on record our appreciation of the services rendered to the Bank by the former Directors, Shri H. N. Bhargava, Shri Bhuvanesh Chaturvedi, Shri H. A. Mohite, Dr. C. D. Datey and Shri A. K. Dutt.

We also appreciate the efficient services of all Executives and record with pleasure the hard and diligent work put in by the staff members at all levels.

For and on behalf of the Board of Directors

BOMBAY

May 19, 1973.

V. D. THAKKAR

Chairman and Managing Director

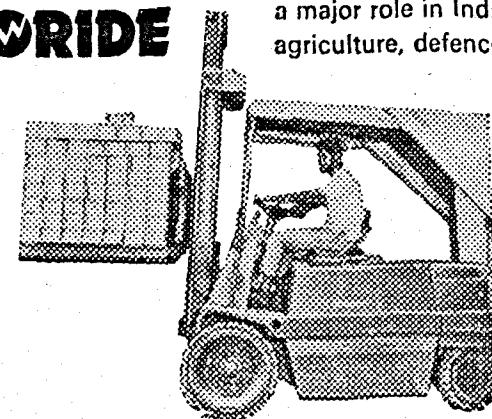
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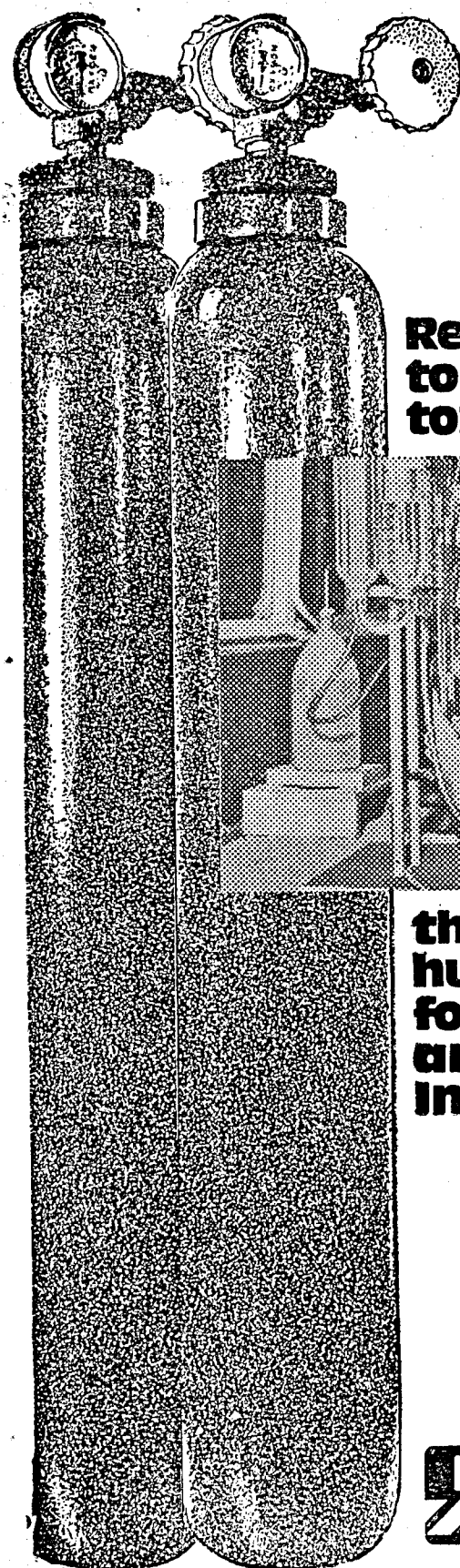
Calcutta Bombay New Delhi
Madras Nagpur Jullundur

Printed by Krishna Raj at States' People Press, Janmabhoomi Bhavan, Choga Street, Fort, Bombay 400001, and published by him for Sameeksha Trust from Skylark, 284 Frere Road, Bombay 400001.

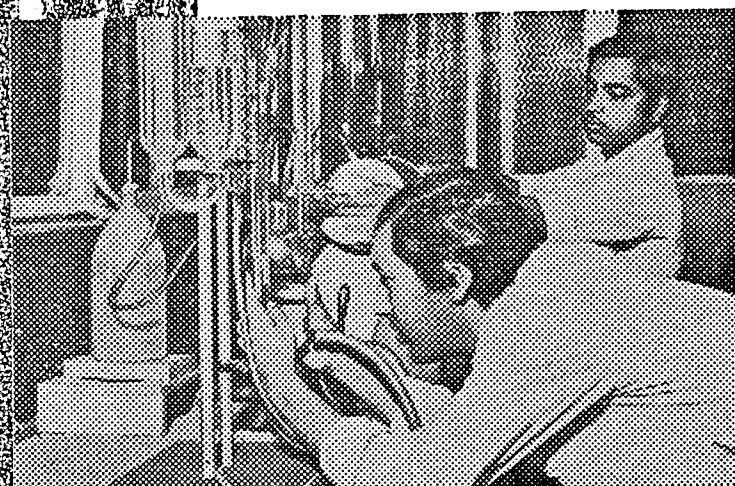
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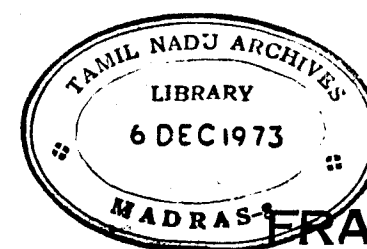
WEEKLY

A Sameeksha Trust Publication

Rs 1.50

Vol VIII No 26

June 30, 1973



P
R.R.No.1722/73.

FRANTIC SEARCH FOR FOOD AID

INDIAN DEFENCE EXPENDITURE IN PERSPECTIVE

AND EVER THE TWAIN SHALL MEET

FARMER'S PROBLEMS WILL NOT END WITH RAINS

AND QUIET FLOWS ORTHODOX ECONOMICS

THE POONA RIOTS

REVIEW OF AGRICULTURE

This year 13 million more will share pot-luck with us

so we have some down to earth
ideas cooking

The thought of 13 million more for dinner every year puts food on your mind. Even a small helping for each means millions of tonnes of food grain. How are you going to dish it out? By prodding the earth to produce more. That brings us to fertilizers. One tonne on 30 hectares means an extra 10 tonne production of food grain.

We don't make the fertilizers but we play a major role in manufacturing and installing fertilizer plants. That's one industry we've thought of in a big way. The largest evaporator crystallizer in India was made by us for a fertilizer complex. Other jobs include fabrication of all kinds of process plant and equipment for the chemical industry. In fact we design, manufacture and instal plant and machinery for every vital industry.

Serving major industries is demanding work. We do it by building up our engineering expertise. By adapting foreign technology. By developing manufacturing techniques. And by encouraging technical talent. After 30 years, we have over 10,000 engineers, technicians, computer programmers, skilled welders and workers and other specialised personnel in our associate and subsidiary companies and in our network of offices all over India.



LARSEN & TOUBRO LIMITED



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ECONOMIC AND POLITICAL WEEKLY

Founder-Editor: Sachin Chaudhuri

Vol VIII No 26 June 30, 1973

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ECONOMIC AND POLITICAL WEEKLY

Skylark 284 Frere Road Bombay 400 001

Phones 266072, 266073, 260192

Grams EconWeekly

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That Was the Stability That Was

THE official summary of the Congress Party's manifesto for the state assembly elections in 1972 had opened with the following paragraphs:

"The progress of our country demands a strong and stable government not only at the Centre but equally strong and stable governments in the states. At present there is no other political party which can provide such governments at the Centre and in the states..."

"The Congress, therefore, appeals once again to the people to vote for Congress candidates in the states which are going to the polls and thus ensure a co-operative and harmonious functioning of the Indian federal system in order to complete our social revolution through democratic methods."

The same document had claimed later on, after references to the liberation of Bangladesh, to "the inspiring leadership of the Prime Minister, Mrs Indira Gandhi", to the numerous amendments of the Constitution and other intrepid actions of the Congress government at the Centre, all intended to cut various vested interests down to size:

"The emergence of a strong and stable Central government enabled the nation to face external challenges. The need now is for strong and stable governments in the states so that the Centre and the states can together carry the war against poverty and the drive towards 'purna arthik swaraj' to a successful conclusion."

The people of India, it is history now, took the Congress at its word and voted it to power with massive majorities in the state assemblies. But somewhere something went awry. The fate of the 'war against poverty' was sealed by the agricultural failures, the industrial stagnation, the accelerated progression of unemployment and the wanton economic and financial mismanagement which has yielded the highest ever rate of inflation since Independence. As for the drive towards 'purna arthik swaraj', an embarrassed silence is in order as the government anxiously opens the doors wider to foreign private capital and sets about frantically looking for all the aid it can get, including aid to finance food imports. The worst let-down, however, has been in regard to the one claim of the Congress which had appeared the most plausible — the claim to provide strong and stable governments in the states. The size of the majority won by the party in most of the states appeared to suggest that at least this claim of the party manifesto would be fulfilled.

But even that has not happened. In Andhra, Orissa and Uttar Pradesh, Congress party governments have already had to yield place to President's Rule. In Bihar and Gujarat, Congress governments with absolutely safe majorities in the assemblies have been pushed out of office. And one or the other of the above fates awaits Congress ministries in many of the remaining states. Surely, such precipitate collapse of the appearance of stability created by the elections less than a year-and-a-half ago calls for some questioning of the basis of the Congress party's success in the elections.

The Prime Minister's personal popularity, it is accepted all round, played a crucial part in the Congress triumph in the state elections. The most important factor underpinning this popularity was, of course, the projection of policies which promised all things to all people. Political commentators had at that time described this impressively as the revival of the 'Nehruvian consensus'. After the elections this supposed consensus has been translated into a series of populist measures which have, for instance, made it possible for the government to pay high prices to the farmers with surpluses to sell and charge relatively low price to a section of the urban population, albeit at the cost of Rs 150 crores or so of budgetary subsidy per year, or to allow producers and sellers of the necessities of life to profiteer without let or hindrance even as the poor are held just back from the brink of starvation by doles disguised as wage payments under the drought relief programmes and the numerous special employment schemes.

The impact of these policies in terms of burgeoning deficit spending by the government, spiralling prices and erosion of resources available for financing development has been obvious enough. At the same time, to the leadership of the Congress, these policies have appeared as a substitute for building a party organisation reaching down to the grass-roots levels, the absence of which enormously facilitates its control over the state parties. Thus after last year's elections most state Congress parties meekly accepted the Prime Minister's nominees as chief ministers. Now that some of these have fallen, they will no doubt be followed by fresh nominees of the Prime Minister.

From the Congress party's point of view the most hopeful sign is that it still faces no serious challenge from any of the other parties. But from a more general viewpoint, this only suggests that the best of all possible worlds within the present political set-up consists of a sequence of Kedar Pandey's being succeeded by Ghaffoor Khans, and both being eventually succeeded by Presi-

The Big Two Strange Parallels?

IF the Cuban missile crisis in 1962 was a forceful indication to the Soviet Union of the limits beyond which it could not transgress the susceptibilities of the United States, Czechoslovakia in 1968 finally indicated the bounds within which the Soviet Union would brook no external interference or even influence. It has taken more than two decades and several such episodes for the big two to work out, with some semblance of clarity, the demarcating lines of their power and interest. And while a wide range of economic and political interests have brought the two closer to each other, the nuclear 'balance of terror' has undoubtedly added more than a touch of clarity to the need for mutual accommodation.

It is therefore, perhaps, no coincidence that the personage who has been exuding *bonhomie* in America and bringing good cheer to its beleaguered President is none other than the 'hard-liner' who is reputed to have insisted on sending in Soviet and other Warsaw Pact troops into Czechoslovakia to undo Dubcek and his deviationists. The consideration and tenderness with which the American and Soviet leaderships look after each other have so grown that there is not even any further Khrushchevian talk of peaceful co-existence and competition between the socialist and capitalist systems. The talk is now of exchange of goods and services, of mutual benefits, of goodwill towards all mankind, of collaboration. This movement of the big two towards each other has gathered momentum over the last few years also because of the growing economic power and political influence of Western Europe and Japan. Additionally, the moves towards unity in Western Europe in the shape of the EEC cause concern both in Washington and Moscow. China's politically organised strength along with its increasing nuclear armory have made it possible for Washington to hint at the possibility of US-Chinese collusion against the Soviet Union, thus making Moscow even more keenly aware of the need for closer co-operation with Washington.

But this preoccupation in Washington and in Moscow with seeking the goodwill of the other major centre of power may also be seen as a reflection of the inability of both the American and the Soviet political systems to cope competently with domestic demands and pressures. Watergate is only the most dramatic and obvious symptom of the wider corruption of American political

organisations. But if Nixon has his Watergate, Brezhnev has to keep a step ahead of his Shelest and Voronovs within the inner sanctum of the CPSU. If the American people want more honesty in public life, the Soviet people are beginning to demand a more open polity and a more consumer-oriented economy.

The inadequacy of the bureaucracy which Brezhnev heads is most sharply apparent in the frequent Soviet agricultural failures. For decades, the CPSU leadership has gone through the motions of transforming the basis of Soviet agriculture by changing from state farms to collectives to a mixture of private plots meshed together with state or collective farming, without much success. All the while, the stolid *apparatchik* has maintained his bureaucratic hold over whatever the pattern of farming, resulting in a persistently low Soviet agricultural output. No Soviet leadership has dared to indulge in an anti-bureaucratic revolution, as distinct from a purge of a section of the bureaucracy suspected of being 'disloyal'. The latest in the line of Politburo members who have been demoted for, among other reasons, their association with agricultural policies, was Voronov, last April, along with Shelest, who was said to be nurturing nationalistic tendencies through his position as Communist party chief in the Ukraine. Both were also noted to be opposed to increasing co-operation with the West. These demotions do not by any means represent a major upheaval within the party-bureaucracy. The Soviet bureaucracy can hardly attempt a serious internal shake-up without endangering its own power position.

In all this there are seemingly strange, but significant, parallels with what is happening within the US political apparatus. The Watergate affair, for all its high drama, can hardly be expected to lead to any sea-change in the working of American political institutions. Even if John Dean's revelations prove Nixon's complicity in the affair, the caucus of senators holding the hearing and all the other connected caucuses which control the House of Representatives, the Republican as well as Democratic parties, the Pentagon, the CIA, the industrial conglomerates, the farm lobbies, would be most reluctant to get rid of Nixon. A summary dismissal of the President of the United States would bring into serious disrepute, if not endanger, all those cabals who together make up the US political-economic establishment. Yet, while both Nixon and Brezhnev are not in imminent danger of being overthrown, they are acting under strong domestic pressures. Due to the inadequacies of their respective political pro-

cesses, the Soviet Union requires millions of tons of American wheat and fertiliser, technological knowhow and dollar credits, and the United States needs to reaffirm, with Soviet help, that despite all its inner and innate corruption it remains a power in the wider world. Nixon and Brezhnev must seek to satisfy these needs and urges — while denying other urgent needs — so as to help preserve the establishments they represent and epitomise.

Deficit Financing

Why This Coyness?

THE Central Government's budget for 1972-73 had anticipated an overall budgetary deficit of Rs 251 crores, which the Finance Minister had at that time considered "a reasonably safe level". In the same budget speech he had also emphasised that "deficit financing must be kept within reasonable proportions". The revised estimates, presented along with the latest budget, placed the budgetary deficit for 1972-73 at Rs 550 crores, exclusive of Rs 421 crores given to the state governments as assistance for clearing their overdrafts with the Reserve Bank. The total deficit in 1972-73 thus worked out to Rs 971 crores. Reports in the newspapers now talk of an actual budgetary deficit in 1972-73 ranging all the way from Rs 800 crores to Rs 1,400 crores. The Finance Ministry itself has, however, put out a figure of Rs 848 crores, suggesting a slight reduction in the budgetary deficit over the revised estimate.

As is well known, the budgetary concept of deficit is a very narrow one. In respect of the Central Government, it comprises (i) increase in treasury bills sold to the Reserve Bank, and (ii) withdrawal from cash balances. In the normal course, the public does not come to know about changes in either till the budget for the next year is released. The Reserve Bank's weekly statement of affairs could provide the requisite data, but, despite all the changes that have taken place in the economy, the Reserve Bank has not cared to effect any change in the format of its statement of assets and liabilities since its inception in 1935. For instance, Government of India rupee securities now form a preponderant part of the total assets of the Bank's Issue Department. Yet there is not even a simple break-up of these as between *ad hoc* treasury bills, other treasury bills and dated securities. Similarly, some details could be given also about the item 'investment' on the assets side of the statement for the Banking Department. The item as it is presented now is a conglomerate of all in-

vestments by the Reserve Bank — in the securities of the government and of financial institutions alike. In the absence of the details, it is almost impossible to work out separately the extent of the government's indebtedness to the Reserve Bank against treasury bills and against dated securities.

One may nevertheless try to derive the data on these aspects of the budgetary deficit with some considerable effort. According to a statement on Government of India treasury bills published in the Reserve Bank's monthly *Bulletin*, the outstanding treasury bills sold to the Reserve Bank rose by as much as Rs 936 crores between March 31, 1972 and March 31, 1973 (*RBI Bulletin*, April 1973, p 660). If the Finance Ministry's latest figure of budgetary deficit in 1972-73 of Rs 848 crores is correct, the cash balances of the Central Government with the Reserve Bank would have increased by Rs 98 crores on the last day of 1972-73. However, on the basis of the last Friday figures published by the RBI, the government's cash balances should have declined by as much as Rs 160 crores during 1972-73. Even so, the government's figure of the budgetary deficit is a plausible one, because of the large adjustments that take place in the government's finances in the last week of March every year. According to the April 1973 issue of the *RBI Bulletin*, there was an increase of Rs 321 crores in the outstandings of treasury bills issued to the Reserve Bank in the last week of March 1973, of which an increase of Rs 150 crores took place on the last day of the month. This may explain the difference of Rs 248 crores between the last Friday figures of the Reserve Bank and that derived from the figure of budgetary deficit released by the government.

In a sense these calculations are not very relevant, since the budgetary concept of the deficit is a restricted one and is not very useful from the point of view of economic analysis. To get a correct idea of the government's dependence on the created funds of the country's central bank three more items have to be considered: (i) the Reserve Bank's subscription to dated securities; (ii) its acquisition of treasury bills by discounting them from the market; and (iii) the increase in its holdings of rupee coins, which are also a form of the government's liabilities.

There is, in addition, also the small amount of subsidiary coins. Any injection of these coins, though it involves no expansion of money supply because it is done against RBI notes or rupee notes, does amount to extension of additional credit to the government (*RBI Bulletin*, November 1964, pp 1378-9).

The increase in these coins in 1972-73 can be estimated from the Explanatory Memorandum on the Central Budget for 1973-74. It would work out to about Rs 12 crores. On the other hand, surprisingly, the Reserve Bank data on estimated circulation of small coins show no increase at all (*RBI Bulletin*, April 1973, p 651). In any case, the current practice is to treat the putting into circulation of these coins as a commercial proposition. Thus, "the expenditure on the purchase and acquisition of the metal for coinage is charged to capital and the difference between the face value and the metallic content of the coins put into circulation is adjusted as profit" (Explanatory Memorandum, p 19). It is not taken as a financing item at all. Neither does it enter as part of Reserve Bank credit to government. The only excuse for tolerating this procedure seems to be that the amount involved is small.

To return to the other three items of Reserve Bank credit to the Central Government mentioned above, the total of these items on the basis of the last Friday figures would work out to about Rs 360 crores in 1972-73 as against Rs 234 crores in 1971-72. In the 1971-72 figures there was some book adjustment to the tune of about Rs 175 crores (*Economic Survey*, 1972-73, pp 55 and 129). Inclusive of these, the Reserve Bank's net credit to the Central Government in 1972-73 works out to Rs 1,204 crores against Rs 500 crores in 1971-72. Even if the assistance of Rs 421 crores given to the state governments to clear their overdrafts with the Reserve Bank are excluded, the Central Government's deficit in 1972-73, at Rs 783 crores, would be considerably higher than that in 1971-72.

Deficit spending has continued apace in the current year. In the first three months of the current financial year, between the last Friday of March and June 8, there has been an increase of Rs 630 crores in the Reserve Bank's credit to the government as against an increase of Rs 545 crores in the corresponding period of 1972-73.

The consequences of profligacy on this spectacular scale are there for all to see and have been commented on in these columns. Here a different issue may be raised. The Reserve Bank, if it cannot exercise a restraining influence on the government's recourse to created money, has at least the responsibility to publish accurate data on the government's deficit spending. To discharge this responsibility it needs to take a fresh look at the presentation of these data in its publications. For instance, it does not publish monetary data on final March 31 basis. And it still does

not disclose the nature of the so-called 'book adjustment' effected in 1971-72 to which there is reference in the *Economic Survey* for 1972-73. Lastly, the Bank regularly publishes notes examining important economic developments and government policies — covering, for instance, industrial policy, capital issues control, index numbers of agricultural output, and the like. The subject of deficit financing by the government is particularly relevant to the Reserve Bank's responsibilities as the central bank. A regular annual review of deficit financing by the Reserve Bank is, therefore, overdue.

Industrial Economics

Stop-Go Policies Fail

PRESIDENT Nixon's decision to clamp, once more, a price freeze in the United States illustrates rather aptly the dilemma of price and monetary policy in industrial economies. The adoption of the standard Keynesian prescriptions makes it easy to push such an economy full speed on the path of growth till as long as latent capacity is built into the system. Short of the deficiencies which stem from social arrangements, full employment comes within what can be described as asymptotic reach. But the process brings in its train intimations of instability; the economy is heated up in no time; in the absence of a completely interventionist set-up, it becomes difficult to work out the little, local adjustments necessary to take care of excess demands showing up here and there. As the point of full employment draws near, the demand for specific skills meets headlong with supply inelasticities, and prices rise across a broad front. Since meanwhile the pitch of expectations has been queered, the price rise in one sector fits snugly into the inflationary trends emerging from the other sectors; the entire economy is in danger of being overwhelmed.

This process, during which real advance is almost obliterated by fiscal and monetary expansion, is of course self-defeating; the consequences are aggravated if the rise in the price level in the world market is substantially less than the increase in the domestic price level. The United States, in addition, continues to be afflicted by its international commitments — and misadventures —, leading to a further strain on its real resources. Hemmed in on all sides, the Republican administration, going against its inherited philosophy as well as its ingrained prejudices, did, in mid-1971, what till then was considered

as out-and-out heresy, namely, a freeze on prices accompanied by a freeze on wages. Phase One was succeeded by Phase Two, which saw the blanket ban on prices and wages being supplanted by a regulated system of adjustments. A few months ago, basking in the glory of his smashing re-election triumph, President Nixon felt that the time had arrived for the unveiling of Phase Three, which was more or less synonymous with a return to unfettered market adjustments. This attempted homage to nostalgia has not worked: the annual ratio of increase in prices in recent weeks in the wake of the relaxation of controls surpassed even the rate that prevailed in the late 1940s. The American administration has therefore been forced into ordering the current Phase Four, marked by a procedure of stop-go which was the stock-in-trade of several West European countries in the 1960s during their battle against inflation.

The rationale for applying rigid controls is that an economic system, which has gone wayward, can be compulsorily retrained into adjusting itself to a scaled-down norm of expectations through this device; the people can be told to cut back their consumption, restrain their demand for inventories, and add to the volume of savings; once the lessons get implanted and are conformed to, the regulatory measures may then be withdrawn. Quite evidently, the learning curve, here runs the danger of developing a kink. There is at least one theory of consumption behaviour which suggests that any sudden increase in income leads to the emergence of a propensity to consume even greater than unity; whenever an individual is persuaded to believe that the shift in his income level is of a temporary nature, his attitude towards such income is likely to be different from that where the rise in income is slowly grafted into the system. With a windfall income, the tendency is often to spend it wholly; in certain instances, a sum even greater than the additional income accruing is frittered as a consequence of such a psychology of windfalls. A similar phenomenon could also happen with a nation which deliberately refrains from adding to its income and consumption for a while. The latent forces which get built into the psychological process ferment inside; as soon as the stoppers are released, there is a great gushing out of consumption desires. In case the fiscal and monetary instruments are so deployed that few restraints operate on

such outbursts of consumption, the inevitable outcome is an intensification of demand all along the line. If one were to take a five-year period, the first three years of which were featured by controls over incomes and prices, while the subsequent two years were years of unbridled liberalism, the average annual increase in demand and prices might well then turn out to be even greater than what would have ensued in case no restraints were in vogue at any time. This behaviouristic phenomenon has gradually made converts of most economists; for their own survival, the politicians too will have to imbibe its lesson. There is, of course, an even broader lesson to be derived from all this, namely, that it is difficult to manage a highly sophisticated industrial economy approaching full employment on the basis of only part-time, half-way measures. Controls are a delicate mechanism; you cannot turn them on and off depending upon your whims. If, for structural and other reasons, you arrive at the conclusion that the mechanism of the free market cannot deliver the goods, the alternative is perhaps a total conversion to a regime of controls: the juxtaposition of the two, and periodic switches of policy from one to the other, might cause more overall harm than good.

Fertilisers

Unused Levers

WHEN the Sindri fertiliser plant came to be set up in 1951, it was considered one of the largest ammonia-based fertiliser plants in the world (capacity about 270 tonnes/day ammonia). Since then the country has come a long way in the fertiliser field and the economy offered by centrifugal compressors has now made it possible to have large single stream plants with a capacity of 1,100 tonnes/day (e.g. the Southern Petrochemicals plant, which is under construction at Tuticorin). Also, considerable skills have been built up within the country and except for the basic process package, a limited amount of checking and advice and import of some proprietary and critical equipment a fertiliser plant can now be built on the basis of indigenous expertise and facilities.

The country, however, continues to depend on considerable imports of fertilisers — in terms of nutrient content, about 800,000 tonnes of nitrogenous and about 210,000 tonnes of phosphatic fertilisers. It is perhaps not very well known that at this level of imports,

India is the largest buyer of fertilisers in the world. So also it is the largest purchaser of fertiliser plant and machinery in the world and, in course of time, it would also be one of the largest producers of fertilisers.

Given these facts, one would expect India to have considerable leverage, be it in purchase of equipment or of fertilisers themselves. As things are, however, this does not seem to be the case. India has at present an operational capacity of about 15 mn tonnes of nitrogenous fertilisers (in terms of N) from 15 plants. Eleven new and three expansion schemes are at various stages of construction with a total additional capacity of 2.2 mn tonnes. When all this capacity materialises, the total fertiliser capacity will be 3.7 mn tonnes. But even at that level, the demand estimate of 5.2 mn tonnes for the Fifth Plan indicate a shortfall of over 1.5 mn tonnes of fertilisers a year. Even for such a potentially large buyer, fertilisers are not all that easy to procure at the moment and prices are also firming up. A major reason for this is the emerging demand for fertilisers from other developing countries, particularly in Africa. Our failure to exploit our advantage in the market for fertiliser equipment must be attributed to the fact that in our anxiety to hit targets, indigenous skills and expertise built up over a number of years have been thrown to the winds and we are on a shopping spree for turn-key contracts.

This is only one side of the story. The other relates to the continued absence of a clear-cut policy on feedstock, the high capital cost of domestic equipment, which is about 60 to 90 per cent more expensive than imported equipment, and the pricing of both feedstock and finished output. Some *ad hoc* decisions have been taken but there has been a lack of follow-up measures. For example, the feedstock problem of the fertiliser industry is tied to the question of its pricing and in the absence of a clear policy in this respect, approval of many fertiliser projects has been delayed.

Targets of fertiliser consumption nonetheless continue to be set at over-optimistic levels. Instead of these point-less exercises in target-setting, there are other problems which should concern the government — uncertainty with regard to feedstock (Trombay is a classic example), high capital cost of equipment, statutory price controls on the one hand and poor returns on capital employed on the other (this is particularly true of the Fertiliser Corporation of India) and, finally, the continued dependence on turn-key contracts.

Maharashtra

Politics of an Irrigation Project

Our Maharashtra Correspondent writes:

THE Khujagaon flow irrigation project in the Sangli district of Maharashtra was approved by the Planning Commission in 1965 and work on it began the next year. Yet so far the project has made little progress. The reason is that the project has not found favour with Vasant Dada Patil, former President of the Maharashtra Pradesh Congress Committee and now Minister for Irrigation and Power in the state government. Vasant Dada Patil wants to substitute the Khujagaon scheme with a lift irrigation project located at Nandoli, also in Sangli district. Their respective protagonists have put together an impressive array of vital statistics in support of the two projects, both of which will cost well over Rs 50 crores each and are expected to irrigate about 2.5 lakh acres. But more interesting than these statistics is the manner in which the claims of the two projects are being pressed forward and the role that the controversy is playing in the intra-party politics of the Congress in Maharashtra.

The Khujagaon project has the support of the co-operative sugar factories and big bagaitdars led by R A Patil, former Minister for Industries and sitting MLA, Ratnappa Kumbhar, prominent Congress leader and co-operative sugar overlord from Kolhapur, and other chairmen of co-operative sugar factories from Satara and Kolhapur like Jaywant-rao Bhosale and Tatyasaheb Kore. This is understandable because the Khujagaon project will double the area under sugarcane around the Walva, Krishna, Panchganga and Warna sugar factories. In course of time this will enable these sugar co-operatives to enlarge their crushing capacities still further. The Khujagaon project will also bring large benefits to the big bagaitdars in the area who, it is an open secret now, have perfected the art of stealing water on a large scale from government irrigation projects.

The supporters of the Khujagaon project openly allege that in bringing forth the Nandoli lift irrigation scheme, the state Irrigation and Power Minister is promoting the interests of the big manufacturers of electric pumps, engines, cement pipes and other equipment. The protagonists of the Nandoli project point out, among other things, that the Khujagaon project, with a "dead water storage" of 52 TMC, which will not be

available for use at all, will weaken Maharashtra's case in the Krishna river water dispute.

Feelings evidently run high in the dispute. The supporters of the Khujagaon project talk in terms of "shedding blood" to push the project through. Their opponents have also declared their firm resolve to sacrifice "any number of heads" to secure the acceptance of the Nandoli scheme. The supporters of Khujagaon have recently held conferences and public meetings in the region to put pressure on the state government. They also sponsored special supplements in Poona newspapers on the occasion of a conference held on June 17 in the premises of the Walwa co-operative sugar factory, controlled by R A Patil. The conference was attended by 15,000 people and 200 trucks of the four co-operative sugar factories referred to above were reportedly used for transporting people from their villages to the venue of the conference. R A Patil and Ratnappa Kumbhar were the main men behind the show. The finances for the conference and for the newspaper supplements reportedly came mainly from the four sugar co-operatives. The supporters of the Nandoli lift irrigation scheme have also formed an action committee consisting of MLAs from Sangli and other Congressmen.

Chief Minister V P Naik has taken a non-committal stand on the controversy. He has appointed a sub-committee of the Cabinet to examine the Nandoli scheme put forward by Vasant Dada Patil. According to Naik, even though the Khujagaon scheme had been approved by the Planning Commission, it was "no crime" to examine the alternative proposal. Further, he has let it be known that it might take a good deal of time for the cabinet sub-committee to give its verdict. In the meanwhile, work on the Khujagaon project will no doubt remain suspended. All this has irked R A Patil and Ratnappa Kumbhar who had stood by Naik in 1971 when he had faced a threat to his position from Shankarrao Chavan and Vasant Dada Patil. Barring a few members like Y J Mohite, Minister for Co-operation, most of the members of the cabinet sub-committee are the Chief Minister's supporters. Naik will thus be able to influence the sub-committee's decision in the direction politically most suitable to him. For the moment, he will keep the controversy simmering because it keeps his rival, Vasant Dada Patil, engaged in a fight with R A Patil and Ratnappa Kumbhar. The split in the party and among party legislators in three districts of southern Maharashtra suits him very much politically.

LETTERS TO EDITOR

Organising the Landless in Shahada

IN the March 10 issue (pp 501-4), PB has given a very interesting account of the organisational work done in Shahada. It shows quite clearly, and beyond any measure of doubt, the intolerable oppression in the countryside and how easy it is to organise the rural poor.

But on analysing this article in detail, one finds it full of political errors and contradictions. Take the very heading: "Organising the Landless in Shahada" — but organising for what? Increased wages, land, revolution — what is it? PB says organising for land redistribution is essentially petty bourgeois and as for the question of revolution there is only a passing reference to the raising of political consciousness when he says "political education is necessary..." and "...it can be done". Why then was it not done, and if it was done why not give us the benefit of the experience? Surely the experience of connecting the economic to the political struggle is of greater significance than

a mere report on organising the peasantry, of which there are hundreds of examples from practically all the political parties.

So much for the organisational aspects; now let us consider the major political points made. Firstly, while referring to the two forms of peasant rebellions PB calls them "social banditry and sporadic riots". This certainly is a creative application of bourgeois terminology to the just reaction of the peasantry against their inhumane oppressors. However, let us not dwell on this point any longer, nor on the very next sentence which refers to some mysterious "failures" (surely he did not expect the movement to achieve political power), but let us consider the very failures themselves. He says that these failures were due to the "objective conditions of peasant life — their scattered population, their heterogeneity, their isolated existence, their role in the process of production, etc". But in the very

next sentence PB contradicts himself by saying that "the whole situation" changed when the peasantry found a leadership. Surely PB does not mean that the leadership was able to change the 'objective conditions' mentioned above and so turn the failures into success. So the failure, as PB admits, was not due to the "objective conditions" but due to the objective factor of lack of correct leadership.

Marxist terminology is very precise and should be understood before being used. Take, for example, the term "independent young radicals" utilised by PB. What does this term "independent" mean? Independent of whom or what? Independent of political parties? Or is he referring to individuals with a progressed independent political line? Again, this is not made clear. In a class society such terms as independent, neutral, non-aligned, have no place. Either you are for the people or against them. Such terms are normally used by the bourgeoisie to confuse the people.

Then PB goes on to say that a "united front" was formed between these young radicals and certain other groups. Though sounding very impressive he does not seem to understand that a "united front" really means. A united front means an alliance of classes and does not mean a few individuals uniting. A united front involves organisations forming an alliance, by means of which the masses of people associated with these organisations drop their differences to fight a common enemy. A united front cannot be formed by some "young radicals", a few elements of the Sarvodaya movement and a peasant union, without any of them having significant mass base.

PB has briefly touched the question of capitalist development in agriculture in the particular area of Shahada. He has given numerous figures on mechanisation and the number of landless labourers and vague figures on landholdings, degree of commodity production in the market, amount and nature of reinvestment of the surplus and the degree of industrialisation. What is more surprising is that after such an incomplete economic analysis of one small corner of one district of one of the states of India, PB is able to "call for a rough re-examination of the left parties' analyses, programmes and policies". Shahada is not India. And if everyone is to generalise on the basis of his particular experience, we would end up with parties with different programmes in every taluka of India. I would suggest that PB first re-examine some of the points in his own article before bother-

ing about the programmes of other parties. Let us help him.

First of all, there appears to be some confusion on the question of the rich peasant and the kulak. The fact that they are not one and the same is, I think, realised by PB as he says at the very start that "a small section of the richer middle peasants, who have close ties with the kulak leaders have also gradually emerged as rich peasants". This being so, during the one year of the movement, covered in the five "phases", the concentration of the attack appears to have been against the kulaks — in fact there is no mention of the movement having fought the rich peasant. But then, suddenly in a fit of anger, he says that the rich peasant is the principal enemy. Why then was one year spent fighting some one other than the main enemy? This I cannot understand.

Perhaps, it may be of some help if we clarify the nature of the rich peasant and that of the kulak. The rich peasant as a rule possesses comparatively abundant means of production and liquid capital, engages in labour himself, but regularly relies upon exploitation for a part, or the major part, of his income. The kulak is the rural bourgeoisie. There is a vast difference between the two. Perhaps in the light of these facts it may be worth re-analysing whether it is the rich peasant or the kulak who is the principal enemy. Also, the rich peasantry is a specific class, and its class nature does not change from place to place; so the rich peasant of Shahada is no different from the rich peasant of, say, Bengal or any other part of India. And in no case will he constitute the principal enemy.

PB also says that "the big landowners are thus no longer semi-feudal landlords..." and implies that they are capitalists. A little later PB says that the workers have no fixed hours of work, no holidays at all, are not paid when the weather is bad, etc. Do these conditions exist under capitalist wage labour relations? The so-called wage labour that PB talks about is in fact not free wage labour but semi-free labour — labourers who are enslaved and exploited in other ways besides that of exploitation of their labour power. Hence, even though the so-called kulaks produce material for the market and employ wage labourers they cannot be classified as capitalist farmers as their mode of exploitation employs feudal methods — and therefore we can, in fact, call them semi-feudal landlords. (The cultural aspects have not even been considered. These should not be ignored.)

Finally, PB makes the most phenomenal statement of all: "the demand 'Land for the landless'... is essentially petty bourgeois in character and is justified on tactical grounds alone". But what is wrong with petty bourgeois demands and what is wrong with making such demands on tactical grounds? So long as the petty bourgeoisie are included in the alliance of progressive forces against the enemy we must invariably use petty bourgeois demands. Of course, organising the landless on the question of wages is more significant, but PB himself has mentioned how successful the effort to organise the landless on the very demand of 'land for the landless' has been (see phases 1 and 4 mentioned in the article). PB is confusing tactics with strategy. We must utilise all progressive demands that are closest to the wishes of the people and not only demands we fancy.

A number of issues have been raised in his article and I would request the author to reply and explain them. I am, to say the least, confused, and I am sure so are many others.

KG

Bombay

Vande Mataram

THIS is with regard to A G Noorani's documented and persuasive article: "Vande Mataram: A Historical Lesson" (June 9, 1973, pp 1039-43).

The attitude of the leadership of the Congress party on the communal question reminds me of the Puritan attitude towards sex in Freudian analysis. Communalism according to the Congress leadership is a dirty word, and this pushes into the sub-conscious the fact that communalism and nationalism are two sides of the same coin. A little self-introspection would reveal to Hindus the reason for the tremendous appeal of Vande Mataram to them. It seems to me, however, that the denial of such symbols of communal appeal is synonymous with the denial of the creative role of the libido in the progress of civilisation. Unconscious repression of the libido results in a truncated personality; conscious awareness of its role makes it possible to harness its energies for a creative life. Awareness and recognition of the communal reality by the leadership in power would perhaps enable a more imaginative handling of the many problems of national integration. It should not be a question of attempts to destroy communalism — whether of the majority community or

the minority community — as to tap the reservoir of creative energy in communal affections and find mechanisms for transforming this for purposes of nation-building. But the Congress party throughout its history has refused to concede to communal reality. Communalism is seen as a pathological condition of the body politic which would vanish with economic and social development. Thus a particular frame-of-reference to the communal question has been a mental block preventing the creative solution of the many problems posed by it.

No matter what the protestations of the Congress administration and leadership regarding its secular character and sympathies for the Muslim population, its ham-handed treatment of issues affecting the Muslim community is a matter of record, as anyone who would take the trouble of reading the various riot reports would concede. Moreover, considerations about Muslim vote banks have been persuasive enough for the Congress to pursue the most Machiavellian electoral strategies whenever it found itself in difficulty as in Kerala. Thus the reality of both the majority and the minority communal interests has always narrowed the degree of freedom of the Congress leadership on the communal question. Indeed, the continual denial of the communal reality — facts notwithstanding — has merely deepened the distrust and increased the insecurity of the Muslim community in this country. It is not surprising, therefore, that 25 years of existence of the secular state have not made possible any consensus between the two communities on issues such as the singing of Vande Mataram. Nor is it surprising that Muslim communal parties such as the Ittehad-ul-Muslimeen or the Muslim League which seemed to have been completely crushed at the time of partition, have now been given a vigorous new lease of life.

RAJNA DUTTA

Delhi

II

MAY I make a few observations on A G Noorani's article "Vande Mataram: A Historical Lesson" (June 9).

Noorani believes that Bankimchandra "was positively and fiercely anti-Muslim" and that "Vande Mataram" is essentially a religious homage to the country conceived as a deity. And it is to this form of worship that the Muslims object. Noorani further suggests that the context in which the song was written makes it the more objectionable from the Muslim point of view as the novel, "Ananda Math", in which the

song appears is anti-Muslim. Finally, he says that objection to the adoption of such a sectarian song was expressed by the Muslims as early as 1908 and that the Muslim League which had voiced its objection was till 1937 a believer in Indian nationalism.

It is true that "Ananda Math" deals with the story of a band of sannyasis in revolt against the oppressive rule of the rulers, who were Muslims, and in which they were prepared to lay down their lives. Bankim's is not the only example of an artist using his art in an allegorical vein to criticise his contemporary situation. Novels and premisses in Tsarist Russia or in Bourbon France were often oblique and indirect attacks on their contemporary rulers. Bankim was a government servant writing in the late nineteenth century; to expect him to oppose foreign rule — then British — directly and openly is to expect the incredible. If Bankim was really anti-Muslim as he is made out by Noorani, how would one explain Bankim's fierce championing of the peasants, both Muslims and Hindus against the oppressive treatment meted out to them by Bengali landlords who were in most cases Hindus?

Noorani quotes from R C Majumdar to prove his point that Bankim was anti-Muslim and that his nationalism was Hindu rather than Indian. It is true that Bankim used certain symbols which were Hindu in character in his approach to nationalism. So did Gandhi — Ram-raja, etc. And so did Jinnah. Could one suggest that Gandhiji was also fiercely anti-Muslim? And would Noorani who accepts Majumdar's assessment of Bankim's nationalism concur with Majumdar's assessment that the roots of Pakistan lay in the separatist mentality of the Muslims exemplified as early as the second half of the nineteenth century in the writings and activities of Sir Syed Ahmed Khan? And does Noorani want us to believe that the Muslim

League was a believer in Indian nationalism as late as 1937!

The pertinent question is not whether "Vande Mataram" in its origin is a sectarian song or not, but what role it has played in the national struggle. "Vande Mataram" was used as a rallying cry in Bengal at the time when Curzon partitioned it in 1905. In these rallies both Hindus and Muslims joined. Will Noorani explain why the British banned "Vande Mataram", if it were merely a sectarian cry aimed at the Muslims? Later a number of Hindu and Muslim leaders joined in the singing of "Vande Mataram". Jinnah is also on record for having paid his respects to the "Vande Mataram" as long as he was with the Congress. If Noorani's thesis were to be accepted, then we would have to consider the British to be terribly stupid in cherishing the Magna Carta as a great document in their struggle for freedom in England. Every student of constitutional history knows the Magna Carta as basically a feudal document and, in a sense, reactionary. However, the significance of Magna Carta lies not in its origins nor even in its actual wordings but in the creative role it played after the thirteenth century, particularly in the seventeenth when it was used (though creatively misunderstood!) by the parliamentarians against the oppressive rule of the Stuarts.

By Noorani's logic, we should ban the cry of "Allaha-o-Akbar", which in a certain stage of Indian history was used as a war-cry against the Hindus. By the same logic we should also shut down the Aligarh Muslim University which originated the separatist ideology that led to the vivisection of India. Surely, Noorani may be presumed to understand the difference between the present role of symbols and institutions on the one hand, and their past history on the other.

V K SINHA

Bombay

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Calcutta Diary

A M

INDIA, the Prime Minister is reported to have informed an audience in Canada, has no ideology to export. Nothing could be more true. We have not only no ideology to export, but have none for home consumption either. It is usually when there is a spillover of what is produced that the question of exports can be seriously considered. In our case, that possibility has to be ruled out, since we have tackled the problem at its source. We have no ideology: as the Americans say, period.

Is not the malady precisely this? As one looks around, there is no dearth of individuals who love their country, who are honest, who have done, and are doing, magnificent work in their respectable spheres: poets, writers, scientists, technologists, engineers, painters, artisans, agronomists, farmers, workers, teachers. They have a primal passion for their work. They do not belong to the run-of-the-mill category of career-mongers. They are not those who corrupt others and believe in corrupting themselves. These are the quiet ones: no elegies are written about them. On public occasions, these persons are missed out. Because they are not at the centre of the stage, the tendency is to forget their existence wholesale. Because they are honest, they are unable to hold the limelight. If in a crowd of one thousand honest individuals, just one crook smuggles himself in, the chances are that the crook will hog the atmosphere; journalists will write rapid-fire books on the role of the crook, while the good ones will be claimed by oblivion.

The matter has a deeper root. The role of good men, honest men, integrated men, is dissolved in the society we have built for ourselves. Everybody is for zero-cost solutions: the dominant urge is to grab something without paying for it. The honest ones cannot but tell those in power that this urge cuts across elementary scientific principles, and cannot therefore be fulfilled. Such forthright statements merely make them lose their accreditation with the political decision-makers. A variant of Gresham's Law sets in. The good people are weeded out; the skunks and the scoundrels, who will promise the politicians anything, succeed in obtaining access to the levers of power. This is where the state of ideologylessness affects the most. A nation without any

ideology is one without moorings, whose politicians shuffle along in search of immediate, short-run victories. Pragmatism emerges as the major attribute to be cherished and appreciated in men. None can be better pragmatists than the opportunists. Gandhiji, in his own manner, adumbrated the notion that ends and means are indivisible and that morality must be an integral part of the political process. Perhaps the rot started right from there. It is difficult to hide away the sham in Gandhiji's stance, for, in his own political practices, he found it expedient to deviate widely from the morality he preached. He did not mind splicing his stratagems with a liberal mixture of crass opportunism. The manner in which he combined religious superstition with political warfare made a hash of the claim about means and ends; a predilection for G D Birla and the rack-renting landlords went ill with the professed wearing-the-heart-out in the cause of the Harijans and the dumb, poverty-stricken millions.

WORSE THAN HAVING NO IDEOLOGY

The Gandhian pseudo-ideology was in fact much, much worse than not having an ideology at all. It elevated hypocrisy to a level of respectability, from where it is yet to be demoted. That you can preach one thing and do another became a part of the national ethos. Jawaharlal Nehru's style was altogether different, but, in this particular aspect, his long reign following Independence scarcely marked any improvement. His too was a split-level existence: the preaching of socialism was combined with the tolerance of a most virulent form of self-aggrandisement on the part of private entrepreneurs. Nehru's left liberal instincts were non-starters also in the sphere of politics: otherwise, he would have cogitated several times over before agreeing to the dismissal of the Nambudiripad ministry in 1959. It was this wobbly ideological mooring which made it so easy, during his fading years, for elements belonging to the rabid right to capture the commanding heights of the economy.

That state of affairs continues. We are not hemmed in by ideology; there is therefore not the least batting of eyes in taking recourse to indiscriminate populist slogans which, about every-

body knows, are for the birds. A milieu is created where practically anything goes. High falutin' talk of moral challenges and responses co-exists with the worst forms of trading and commercial practices. The devices of socialism are used to conceal nepotisms of a vicious order. The existence of a considerable body of well-intentioned and dedicated technologists and scientists is despoiled by the simultaneous presence of a bunch of hucksters, who rapidly take over the most crucial processes of scientific and economic decision-making, in government as well as outside. We have no ideology; therefore, it is a field day for those with pretensions of ideology. These pretensions, given enough rope, will of course be found out in the long run. But given the state of demoralisation noticed on all sides, it becomes inordinately difficult to wait for the long run. It is an instant world where issues are decided instantly on the basis of instant judgments. In helping to arrive at such judgments, the pretenders have an advantage over the honest ones: the former would claim that they know all the answers to all the questions; the honest ones could never put forth a claim of this nature. In a period of confusion, it thus is inevitable, the imposters have the ear of the politicians sans ideology. They can prove to the satisfaction of the rulers that you can leave things as they are and yet reach your targets: revolution without any involvement of cost will always have a sales appeal, particularly since in contrast, the honest ones can only promise that in the long-run you will have a greater potential for growth and prosperity, but only if in the short period you work hard, abstain from coveting the good things in life and force yourself to decisions which are unpalatable to the time — preference of large masses of the people. Their pervasive lack of faith in anything basic or fundamental persuades our politicians that, the weight of philosophical tracts notwithstanding, there is nothing to compare with the epicurean existence; you might as well adopt the primrose path for yourselves, and let other matters be sorted out in due course on their own.

The Indian predicament — will it be unfair to suggest? — consists of this phenomenon of the saints being overshadowed by the crooks. Where each is for himself or herself, self-righteousness takes over on a large scale. In this exercise of promoting the ego, the

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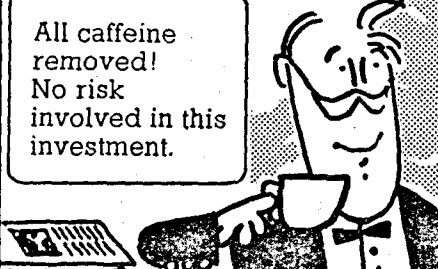
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saints lose out; they suffer from enough sensitivity so as not to beat their own drums. The good people therefore remain under cover, the army of the four-flushers monopolises the headlines. If the pervading cynicism has to be pierced, one must begin at the beginning. The meek, who are supposed to be inheriting the earth and currently are not, have to be sought out from the anonymous ranks of the non-descript and appealed to. It is only they who can yet bail out this nation. They

are no water-diviners, no mongers of zero-cost solutions. But at least there will be less outlay on scarce newsprint on their account. And, who knows, they might even turn up with an ideology, an ideology which will be without cosmetics, but which may still provide the catalysis for growth. It will be an old-fashioned ideology, and will consist of only home-spun-truths: such that honesty in its own reward, or that you cannot have something in life without offering anything in return.

in town and countryside. Education and jobs need careful linking, a process which would destroy the fateful quest for BAs. Transport, once it is mass oriented, can solve the problems of mobility, of moving people from their existing homesteads in the countryside to work sites. In the process, a new discipline of work and productivity would evolve — and we would begin to emerge from our man-made mess.

At last, there is acceptance of the fact in usually cautious policy-making circles that we need a new texture for decisions. The context and the value system for these decisions have changed. There must be a break with past practice. This break cannot be brought about by committee operations. Too many contrary forces and vested interests compel a return to the *status quo*. Democratic functioning cannot become a cover for non-functioning. At some point in the hierarchy of democratic power, someone must be entrusted with autocratic power to attempt a breakthrough. And he must not be inhibited by the jackals who in envy and hatred wait to destroy those who are action-inspired.

The reason why an attack is building on Indira Gandhi personally is that she talks a lot of sense but fails to organise the instruments for action. Either she carries through her own brand of a revolution or stops the meddling which makes the present system impotent. Increasingly, the demand for freeing the system of governmental controls and regulations is heard because the free enterprisers feel that the public has lost confidence in Indira Gandhi's capacity to create a viable egalitarian society. This assessment can only be disproved by the formulation of a mass line which works in our conditions.

In Delhi these days only the political morons are worked up about ministerial shuffles and reshuffles. These are meaningless exercises in house-keeping when the house is collapsing. A carefully sketched perspective, with the necessary implementational underpinning, must accompany the politicking. Indeed, all we need is the perspective and the implementation instruments. The ministers are really superfluous. One is as good or as bad as the other. Only rarely does an individual minister change the quality of the thrust.

How delightful it would be if we could speak of quality both at the ministerial level and at the level of economic, political and social perspective.

Those days have passed...

June 25

CAPITAL VIEW

What Is the Perspective?

Romesh Thapar

THESE are uncertain days. From all over the country reports come in of demonstrations, riots, clashes and running fights. The "mob" varies from a bunch of hoodlums to a crowd of anything between 5 and 10 thousand persons. The sparking point always appears irrelevant, unconnected to the passion let loose. If this is the state of public mood recorded by the press, one can imagine the quantum of unrecorded violence and bitterness. The extraordinary patience of the Indian people, developed over centuries of quiet, hopeless suffering, is showing signs of exhaustion.

The politicians and the bureaucrats continue to wonder at the comparative calm over the subcontinent, and at a time when prices seem to have gone berserk. Had it not been for the remarkable work done in the drought-affected areas of Rajasthan, Gujarat, Maharashtra and Andhra — although at phenomenal, inflationary cost — it would not have been possible to hold the situation with the existing police forces and their instruments. The urban areas, which are sullen and explosive, cannot but recognise the work being done in the rural areas. At the poorest levels, divided families tend to take a total view of the bad times — a very different posture from that of the middle classes.

The question is being asked: how long will this general patience persist? There comes a time when someone or the other with the capacity to mobilise nationally, is going to say that we cannot blunder along like this, and he is going to be heard. The surface signs suggest that we have reached this catalytic moment. Indira Gandhi, on her

return from what is being dismissed as a frivolous tour, will have to either head the movement for a new orientation in national policies or face the awful fact that someone else might get going to seize the initiative. To imagine that we are going to jog along as we are is to put faith in astrology.

In its present *status quo* mood, laced with radical frills, what is going to restore the credibility or elan of the GOI? The arrival of food ships from the Soviet Union, the United Kingdom, Australia and Canada? The discovery of vast oil reserves in the Bombay High region? A total *detente* with Pakistan and the opening of trade links? A new economic relationship with the developed world and the wiping out of old debts? The explosion of a nuclear device?

All this is tantamount to putting our faith in acts of God and gimmickry. Cold, calculated decisions have to be taken to conserve the resources of this country and to expand them. We can feed our people if we stop chattering about *kulaks* and pay a proper price to the growers of food. We can clothe our people if we insist that only two or three types of standard cloth will be available and that all finer varieties will be used for export. We can house our people in some dignity if we plan for water, drainage and electricity in carefully designed mud complexes, conserving the limited brick, cement and steel for larger work centres. We can organise the health of our people by organising a basic and very simple medical kit of drugs and aids effective against ninety per cent of the diseases that affect us and capable of being used by averagely intelligent persons

COMPANIES

From Convenience Foods to Heavy Chemicals

Hansavivek

HINDUSTAN LEVER is investigating investments in the core/heavy investment sector and has applied for issue of letters of intent for manufacture of industrial phosphate and caustic soda. This, it is stated, will provide an opportunity to associate more Indian capital in the growth of the company. Of HL's total paid up capital of Rs 1,445 lakhs, as much as Rs 1,229 lakhs is at present held by Unilever. Of the total capital, shares of the value of Rs 204 lakhs were allotted for considerations other than cash and shares of Rs 1,116 lakhs by way of capitalisation of share premium and accumulated profits. The board has recommended issue of further bonus shares on a one-for-six basis by capitalisation of Rs 241 lakhs from the general reserve. The company has produced good results for 1972, with higher sales, better margins and, consequently, bigger profits. Dividend, step-

ped up a point to 16 per cent, finds a better cover. Of the gross total turnover of Rs 14,044 lakhs, detergents and toilet preparations accounted for Rs 8,231 lakhs and edible fats and other foods for Rs 4,341 lakhs — the former showing a 6.8 per cent increase over 1971 and the latter a 7.9 per cent decline. Animal feed, chemicals and other products brought in Rs 1,472 lakhs, 49.1 per cent more than in 1971. Exports were up from Rs 552 lakhs to Rs 882 lakhs.

The directors complain that prices of indigenous soap-making oils and tallow have risen sharply and that only a "substantial price revision" will prevent a situation in which soap can only be made at a loss. Meanwhile, efforts are being made to increase the production of synthetic detergents, following the government's decision to classify this as a core-sector industry and to permit ex-

pansion of capacity in order to relieve growing pressure on oil supplies for soap. The directors also complain that the rigours of price control continued to affect the company's vanaspati business adversely last year and add that increases in prices allowed by government from August last on the basis of the Tariff Commission's recommendations were "very inadequate" and were confined mainly to the West and East zones. The company has developed a process to make vanaspati with high levels of cottonseed oil, thus reducing the demand for groundnut oil which is in short supply. Milk collection was adversely affected by drought conditions. It is stated that price control on baby food has not taken into account increases in the price of milk and other essential ingredients and has, therefore, sharply eroded the viability of this business. The company has decided to stop making convenience foods, as demand for them continued to fall. In the chemicals section, facilities for production of nickel catalyst for hydrogenation of oil have been increased to meet the growing demand. Preparation of other nickel catalysts for industrial hydrogenation of

The Week's Companies

(Rs in Lakhs)

	Hind Lever		Killick Nixon		Ambica Mills		Raymond Woollen	
	Latest Year 31-12-72	Last Year 31-12-71	Latest Year 30-11-72	Last Year 30-11-71	Latest Year 31-12-72	Last Year 31-12-71	Latest Year 31-12-72	Last Year 31-12-71
Paid-up capital	1445	1445	125	125	285	285	151	151
Reserves	2485	609	102	96	511	519	202	182
Borrowings	989	924	197	233	749	660	530	404
of which Term borrowings	259	258	—	—	286	273	218	136
Gross fixed assets	3909	1977	135	134	1347	1234	974	797
Net fixed assets	2668	897	57	62	547	523	555	463
Investments	8	8	175	195	46	73	45	43
Current liabilities	1428	1477	215	192	491	455	261	228
Current assets	3679	3558	406	390	1432	1323	543	458
Stocks	2946	2765	117	131	553	523	232	197
Book debts	610	687	275	249	817	763	287	240
Net sales	13053	12462	557	518	2138	1760	1167	978
Other income	47	30	78	87	109	64	118	71
Raw material costs	9305	9469	56	58	1299	1070	512	283
Wages	905	897	119	110	341	271	238	187
Interest	20	20	23	26	62	56	49	45
Gross profit(+) / loss(—)	1096	868	42	45	144	228	84	87
Depreciation provision	127	109	6	7	84	77	51	43
Tax provision	603	458	19	14	22	76	—	11
Net profit(+) / loss(—)	366	301	17	24	38	75	33	33
Development rebate provision	15	15	—	—	20	22	13	6
Transfer to reserves	120	69	6	10	—37	3	3	10
Dividend								
Amount	E 231	217	E 11	14	P 1 E 54	1 49	P 2 E 15	2 15
Rate (per cent)	E 16	15	E 9	11	P 7.14&5.72 E 20	7.14&5.72 18	P 6.50 E 12	6.50 12
Cover (times)	1.51	1.31	1.55	1.71	0.31	1.06	1.20	1.66
Ratios (per cent)								
Gross profit/sales	8.39	6.92	7.54	8.69	6.71	12.95	7.20	8.89
Net profit/capital employed	7.44	10.11	4.01	5.29	2.46	5.12	3.74	4.48
Inventories/sales	22.57	22.45	21.00	25.29	25.86	29.72	19.88	20.14
Wages/sales	6.93	7.20	21.36	21.23	15.95	15.39	20.39	19.12

chemicals based on indigenous know-how has been started. The range of chemicals produced by the fine chemicals unit at Andheri in Bombay has been increased, and several processes developed by the research group have been commissioned. Additional manufacturing units for animal feeds were set up in several places in the country.

KILLICK NIXON earned a lower profit during 1971-72 despite a non-recurring gain of about Rs 3 lakhs on sale of investments. Although sales brought in slightly more, 'other income' by way of commission, remuneration for secretarial and other services, interest and dividends, etc., was considerably lower than in the previous year. Dividend was reduced by 2 points to 9 per cent. Both production and sales of the steel files factory were higher than in the previous year. File steel is now being produced indigenously and there is a restriction on imports, but the Indian steel has been offered at prices higher than the landed cost of imported material. The engineering factory showed improved performance and the prestressing division also fared well. The company is considering an increase in production capacity by the addition of new machine tools and replacement of some of the old ones. Although the furnace division secured a substantial share of the market, its turnover declined owing to raw material and other problems. The drilling division showed significant progress, with turnover rising by about 60 per cent. The steel sales division had a successful year, and the marketing divisions showed improvement in turnover and operating results. The subsidiary companies generally fared better. Killick Slotted Angles, however, experienced lower turnover and profits, allegedly because of the disturbed conditions following the Indo-Pakistan conflict.

Killick Nixon has given guarantees on behalf of subsidiary, associated and erstwhile managed companies for cash credit and/or loan facilities for a maximum amount of Rs 598 lakhs. Included in this figure is a guarantee of Rs 67,50,000 given jointly and severally with Kohinoor Mills and other parties in respect of cash credit facilities to Navjivan Mills. The balance sheet of Navjivan as at the end of 1971 disclosed that the paid-up capital and reserves amounted to Rs 59,39,001 and the accumulated losses amounted to Rs 1,11,39,656 without providing for arrears of depreciation, doubtful debts and advances, etc. It is stated, however, that in view of the improved working of Navjivan, the outcome of the company's guarantee is unlikely to

be adverse.

Notes appended to the accounts reveal that no provision has been made for Rs 6 lakhs out of the doubtful items aggregating to Rs 10 lakhs appearing in the balance sheet. Also, no provision has been made in respect of the difference between the book value and the market value of quoted investments as also for the estimated diminution of Rs 7,50,000 in the value of certain unquoted investments. The directors say that the diminution in the value of quoted investments is not permanent and, therefore, at this stage no provision is necessary. However, there is an amount of Rs 11 lakhs in the reserve for depreciation of investments. Among the miscellaneous expenses is included Rs 52,000, being the cost of advertisement in the souvenirs of a political party.

SHRI AMBICA MILLS earned substantially lower profit in 1972, despite considerable rise in turnover. Even so, dividend was steeped up two points to 20 per cent, which is less than a third covered by earnings. This performance is blamed on the sharp rise in prices of foreign cotton and other cost components coupled with power shortage. Besides, it is stated that exports rose to a new high and, being less remunerative, affected profitability. The latest completed year's profit has been arrived at after providing over Rs 47 lakhs for gratuity, for which no amount had been allocated last year. The company is pursuing its modernisation and replacement programme in the textile division. Modernisation of unit number three at Baroda has been completed by installing 10 ring frames, one set of combing machinery, 32 automatic looms and four dry doublers. In the process house of the number one unit, a new Stenter machine was installed, and the newly-acquired rotary machine commenced production. The company has been able to fulfil the total export obligation against the import of the rotary machine in only one year. An order has been placed for a modern Vaporloc bleaching range which will be the first of its type to be installed in the country. This is expected to be commissioned by the end of the current year. The company's tubes division obtained a slightly higher supply of raw materials despite shortages. The licensed capacity was doubled to 50,000 tonnes per annum. Production increased from 10,691 tonnes to 17,300 tonnes, but profitability was affected by the "prohibitive cost" of imported raw materials. The machinery division has secured an order for a continuous bleaching plant, despite competition from some reputed manufacturers. The cylinder division worked partially last year

owing to lack of adequate supply of LPG sheets from HSL and TISCO. During the past few months, the company has been receiving a steady supply of materials which has enabled it to produce about 7,000 cylinders per month. With the increase in prices of raw materials, representations have been made to IOL through the trade association for a price increase with retrospective effect. The company is participating in a joint-sector project in association with the Andhra Pradesh Industrial Development Corporation for the setting up of a nylon project with a capacity of 2,100 tonnes in Chittoor district of AP. The company's investment will be to the tune of Rs 125 lakhs.

RAYMOND WOOLLEN has heavy commitments for exports of all-wool fabrics, but is not able to fulfil these orders because of shortage of wool. The company says that the export replenishment licences are inadequate to meet the requirements of raw materials, and wool prices have shot up since the beginning of this year. It has approached government for an *ad hoc* licence and also for a subsidy for the loss it will have to incur on export commitments on account of rise in prices of wool. The company expects to complete its expansion scheme by installing 3,600 new worsted spindles during the current year. It is also going ahead with its second modernisation scheme. Machinery of the value of Rs 74 lakhs was received last year, and the balance of the machinery is expected to arrive soon. The sheep and wool research and development project, set up at Dhulia in Maharashtra, is making satisfactory progress. The 947 Polwarth ewes and 18 Merino rams, imported from Australia for Rs 10 lakhs, have acclimatised themselves reasonably well to the farm. Last year, the company stepped up exports from Rs 181 lakhs to Rs 235 lakhs. Of this, woollen and mixed fabrics and readymades accounted for Rs 162 lakhs (Rs 124 lakhs). Production of engineers' files and rasps was better than in the previous year, and over 56 per cent of the output was exported. The subsidiary, Raymond Woollen Mills (Kenya), has taken up a project for further expansion into manufacture of woven and knitted fabrics. Raymond (Mauritius), incorporated in April last year, is expected to go into production early next year. The parent company's proposal for establishing a joint venture in Indonesia for manufacture of engineers' steel files has been approved in principle by the Government of India. Approval of the Indonesian government is expected soon.

FROM OUR CORRESPONDENTS

NEW DELHI

Frantic Search for Food Aid

THE take-over of wholesale trade in wheat has proved to be an even bigger flop than its critics had anticipated. Inevitably, the question has arisen whether trade in rice should now be taken over. From the political standpoint, it may be difficult for the government to formally abandon the take-over programme. But the government appears to have reached the conclusion that a "go slow" has become necessary and even desirable. Even Planning Minister D P Dhar, who till now was a staunch supporter of the policy of taking over the wholesale trade in foodgrains is beginning to wilt under the pressure.

The Food and Agriculture Ministry was never enthusiastic about the take-over scheme. It was practically forced to fall in line when pushed by others, particularly the Planning Minister. The same was true of the Chief Ministers, except the Punjab Chief Minister who thought that with his well established arrangements for procurement the take-over of wholesale trade will create no particular difficulties. Even at that stage, most Chief Ministers had made it clear enough that the question of taking over the trade in rice will have to be examined afresh in the light of the experience with wheat. In this context, it is not without significance that the recent Chief Ministers' conference on price policy for kharif cereals did not care to discuss the take-over of wholesale trade in rice. The Chief Ministers from the rice-producing states appeared to have assumed that, after the miserable performance in wheat the question was not on the agenda any more. They were not wrong.

The issue has not been clinched yet, though. The Planning Minister as well as the Finance Minister still support take-over of the wholesale trade in rice. They take their stand both on economic and political grounds. The Prime Minister is reported to have an open mind on the question. The Food Minister does not favour the proposal. The Minister for Heavy Industry, T A Pai, whose incursion into the affairs of the Food Ministry as the head of the Task Force on procurement was a sad misadventure, is now openly against the extension of the take-over scheme for rice. The

decision taken by the Chief Ministers' conference to treat the procurement price recommended by the Agricultural Prices Commission for paddy as the support price was itself intended to set the stage for an eventual shelving of the take-over scheme. There is, after all, no point in having two sets of prices if there were only one agency making purchases in the market — as would be the case if the wholesale trade were taken over. The idea of a procurement price different from the support price has meaning only when government agencies have to compete with private traders in making purchases.

In any case, the arguments for and against take-over of the rice trade is of little practical significance. If, as in the case of wheat, the government has no intention of introducing monopoly procurement of the entire marketable surplus of rice — and it is clear enough that the government has no such intention — it hardly matters whether or not there is a formal take-over of the rice trade. In either case, the crucial business of procurement would be governed by similar sets of rules. In case there is a formal take-over, the wholesaler would be barred from bidding for purchase of what the producer brings to the market. But, as the wheat experience has shown, he can, in collusion with the bigger producers, operate outside the organised markets and frustrate the activities of the public procurement agencies. The procurement agencies have to rely exclusively on the price incentive, but in this regard they cannot match the expectations of the producers in the prevailing conditions of shortage of foodgrains. Thus, as with wheat, only a part of the marketable surplus out of the kharif rice crop will become available to the government for supply through the public distribution system. Inevitably, therefore, the government has to turn to heavy imports as the mainstay of the public distribution system. The principal concern of the government, therefore, is no longer with the take-over of rice trade, but with the problem of arranging for adequate imports.

Unfortunately for the government, arranging for imports of foodgrains is

also not proving to be an easy matter. Brave statements that there would be no concessional imports and that all imports would be made on a commercial basis are no more being heard. A frantic search for credits to finance food imports is on. There could be no clearer hint of this than the Prime Minister's public statement during her visit to Canada that the government had not yet decided upon the mode of payment for foodgrain imports. From that she went on to refer specifically to the need of credits for the purpose.

The bulk of India's requirements of imported foodgrains can be met only by the United States. The hopes pinned on Australia and Canada have been found to be misplaced. Canada can give only small quantities of food and Australia can provide practically nothing. The question of credits for foodgrain imports, therefore, pertains directly to the US. However, the political constraints on making a straightforward approach for American aid to finance food imports are obviously considerable.

The question of US aid for food imports was raised in different ways at the recent meeting of the Aid India Consortium in Paris; it has also been taken up through other channels. The American response has not been exactly warm. The US position appears to be that it is not too anxious to give aid of any kind if such aid is regarded as a kind of imposition and as intended to serve ulterior purposes, as many statements by responsible Indian spokesmen in the last two or three years have tended to suggest. The US government, it is pointed out, is sympathetic to India and would like to help, but if any aid is needed, it is for the Government of India to say so. After that bilateral talks between India and USA could be initiated on the subject. The initiative for such talks must come from India. It is difficult to find fault with this position taken by the Americans, though it has some pretty serious implications for the Government of India. Nevertheless, given the food supply position, as well as the overall economic situation, the government has no alternative but to prepare the ground for the kind of initiative that the US wants India to take. And this is being done. What the government is seeking to make sure of is that once such an initiative is taken by it, there will be no rude rebuff from the Ame-

rican side. The hopes entertained earlier that we could use our foreign exchange resources to finance imports of foodgrains are no longer regarded as realistic. The scale of food imports

required, or even what the government has in view, will exhaust our free foreign exchange reserves at a time when the pressure for imports is growing on all sides.

Some Notes on the Poona Riots

Anil Avchat

SALAUDDIN is a peon in the Poona College. It was not safe to stay at home. So he thought of moving into the College premises. He packed his belongings in a metal trunk and was on his way to the College with his family and a friend. As he was passing through Nanchowdi Chowk a mob accosted him, attracted by the trunk he was carrying. No one waited to see what was in the trunk. Salauddin was stabbed. His family was taken to safety by his friend.

The rioters idolised Namdev Pawar. In the float organised on Shivaji Jayanti, he had enacted Shivaji's part and was shown as killing Shiasta Khan. Angered by this, a Muslim Pabelwan, Yasin Khan, had cut off Namdev's thumb with a sword. Such was the talk among the people. Hindus were agitated. Muslims were secretly happy that Shiasta Khan had been avenged in 1973.

Namdev Pawar is a lineman in the Maharashtra State Electricity Board. He is between 30 and 35, a tough looking man with a paunch. He is the leader of one of the alley gangs. Money-lending is his business. He charges four annas a rupee per month. He is constantly involved in fights over money deals.

Yasin Khan is a body-builder and has won the Maharashtra Shri title. Only a few months ago, he had stood second in the all-India contest at Patiala. His father is a driver in the Poona Municipal Transport. His mother is a money-lender. Yasin himself is not much involved in gangsterism. But the people around him are known goondas. His uncle, Badshah, was a notorious dada and had just completed a 15-year jail term for the murder of a man in Bhokarwadi. His maternal uncles, Rahman and Sardar, had similar reputations.

Namdev Pawar's thumb was cut on May 8. That night a quarrel between a gang of Hindus and another of

Muslims started in the Dilkhush Hotel. The Dilkhush Hotel is next to a jhopadpatti called Pattriyachi Chawl ('tinplate chawl'). The chawl is opposite Chhaya Talkies which is on the border between Poona city and the Cantonment. The excuse for the fight was non-payment of a hotel bill. Abuses directed at the respective communities were exchanged and soon there was a regular fight. The hotel-owner dragged the two groups to the police chowky. Namdev Pawar was on duty at the time. Members of his gang informed him of the fight and he started for the scene of the fighting by ricksha. On the way he was attacked by Yasin Khan with a sword. The blow was aimed at his neck. Pawar tried to protect himself with his hand. That was how his thumb got chopped off. He also got a superficial 8 inches long cut on his neck. He walked to the Sassoon Hospital and got himself admitted.

The police soon arrived at the spot, but Yasin Khan got away. He is still absconding. According to his mother, Yasin is a nice boy; he never quarrels or fights with anybody. On the 5th of May, Yasin's brother was angry with him for having brought home no money. So Yasin left his meal unfinished, packed his suitcase and walked out of the house. He had not returned since then. So he could not have been present when the fight took place on the 8th. This was his mother's version. The police, however, say that many people saw Yasin, sword in hand, that night.

I asked a friend of Yasin how Yasin had happened to bring along a sword to an ordinary fight. His answer was as follows: Namdev Pawar was already in the fight. When we began to overpower his gang, some of them went to a nearby Shiv Sena group for help. The Shiv Sena group refused to come, but we expected that it would and by way of preparation we brought the sword.

Namdev Pawar's house is just a room in Pattriyachi Chawl. But in the room there are two huge steel cupboards and piled on top of them are columns of utensils as in a vessel shop. Namdev

removed the bandage on his left hand for me. There was no thumb.

The Shivaji Jayanti procession was on May 4. In the past different groups used to take out separate processions. This time after much effort by some people, a joint procession was organised. It was a procession with music. And, as the procession passed in front of a mosque, there were obscene slogans besides. Red coloured powder ('gulal') was also thrown on people in front of the mosque.

Many days earlier, on April 20 — as if to herald the expected arrival of Bal Thackeray in Poona on April 22 — the Shiv Sena had taken a procession of 200 to 300 people to the house of Maruf Khan, a leader of the Muslim community. There were slogans such as 'Burn Maruf Khan'. The procession then went to the Mecca, Medina, Bagwan, Jumma and Tamboli mosques. Gulal wrapped in paper was thrown inside the mosques and music was played in front of them. The clock on top of the Mecca Masjid was broken. Stones and chappals were thrown into the courtyard of Jumma Masjid and tubelights were broken. One person in the procession played the part of a Muslim and the others pretended to force him to sing Vande Mataram. The 'Muslim' would refuse. For that he would be belaboured by the others and he would scream "Ya Allah, Ya Allah", to which the crowd would respond with obscene abuse.

There were as many policemen with the procession as there were participants. Yet the police did nothing to stop the provocations hurled at the Muslims. The newspapers also took no notice of these goings on. It was only on the third day after the procession that two persons were arrested. The Shiv Sena promptly organised a dharna before the main police chowkey to get them released. After negotiations between the police and the Shiv Sainiks, the two arrested persons were provided with mattresses and otherwise looked after and the dharna was called off.

Paigambar Jayanti was celebrated on April 16 and a procession was taken out by Muslims. Two acid bottles were thrown at the procession when it reached the Shatranjiwala Chowk on Lakshmi Road. Afterwards two Hindu youths were arrested.

On the previous day there was a Matang (neo-Buddhist) marriage procession with one of the most expensive bands in the city, the Rajkamal Brass

Band, in attendance. After playing music for 15 to 20 minutes in front of a mosque, the procession came to A D Camp Chowk. There Maulana Wasiuddin was delivering a public sermon in connection with Paigambar Jayanti. When the procession reached the place of the sermon, the band stopped playing. Immediately a Matang youth came forward to demand why the band had stopped and slapped one of the musicians. The band began to play again. Wasiuddin stopped his sermon. A member of the audience came to the procession and pleaded that now that music had been played for 15 minutes, the procession should move on. The Matang youth climbed on to the band cart and began to abuse the Muslims. The police arrived and tried to push the procession on. No one knows from which side the first stone came. But people in a hotel nearby say that persons from the procession entered the hotel and took away soda water bottles. People started to run helter-skelter. The band disappeared. The car in which the bride and bridegroom were travelling had to be escorted to safety by the police. The procession was reorganised some distance away and continued on its way.

On the same day there was stone-throwing at the house of a Muslim lawyer called Bagwan.

May 15 was the Bombay bandh which flopped. There was a feeling in Poona that the Poona bandh on May 16 would meet with the same fate. The Shiv Sena had refused to take part in the Poona bandh. On the morning of May 16 there was to be a morcha by the Leftist parties to hand over a memorandum to the Collector in his office. The Congress was determined to oppose the bandh. Mandai, the prominent market, is a Congress stronghold. So the shops there were to be kept open on the 16th. Prominent Congress leaders, such as Baban Padwal, Baban Kirad, Ghore and and Hiroli, a Muslim, had decided to keep their shops open and had tried to persuade nearby shops to stay open as well. But no one had listened to them. In the morning there had been skirmishes between Congressmen and Jan Sangh volunteers who had gone to Mandai to get the shops there closed, but peace had been soon restored. Baban Padwal had kept his cycle shop in Nana Peth open. There too the organisers of the bandh had created some trouble, after which the shops closed down.

The morcha organised by the Left parties was a big one. It passed in front of Alpana Talkies on Lakshmi Road at about 11 in the morning. It had gone one or two chowks ahead when stones began to be thrown at the mosque in front of Alpana Talkies. And the Poona riots started.

The known information about the event is as follows. There are many Muslims egg shops in Takar Street near Alpana Talkies. Some boys were shouting in front of one shop, asking it to close down. There was some stone throwing, upon which there was a return hail of stones, bricks and soda water bottles from the mosque. The boys fled. But soon afterwards gangs appeared from three sides and started to throw stones at the mosque. A ricksha parked in the courtyard of the mosque was destroyed. The mobs also burnt a hotel and three or four shops just outside the mosque. This is the information which every newspaper published the next day.

The trustees of the mosque gave the following version of the events: The stone-throwing at the mosque had started suddenly. We were forced to retaliate. The police arrived and told us to go inside the mosque. We went in. But the moment the police went away, the mobs were back. They burnt the shops. They were able to do so because we had been forced to go into the mosque. Otherwise we would not have let the shops be burnt.

The egg shop owner claimed that his shop had not been open to begin with. The boys had thrown stones through the ventilators, smashing a few photo-frames. Had the shop been open, he said, all the eggs and other property would have been destroyed. This had not happened.

Hasmatbai has a little pan shop at the corner of Gururvar Peth. She lives near the shop. She had this story to tell: On bandh day I closed the shop and stayed at home. But soon there was trouble. A mob tried to forcibly enter our group of houses. The Maratha residents of the locality stopped it. Muslims may live here, but so do we, they said. The mob moved on. Then I heard the sound of my shop being broken open. I ran to the door and saw metal vessels ('lotas') from my shop being thrown on the road. One man was carrying away my steel weighing machine. How could I stop him?

Balwars are tongawallahs. Balwar al-

ley is off Gururvar Peth. Tonga driving is no longer a paying profession and so tongawallahs have entered other occupations. They call themselves kshatriya rajputs. Some Balwar boys had destroyed a haircutting saloon owned by a Muslim barber situated outside a mosque. I went to the saloon.

The young barber was standing there. He was a god-fearing person. His shop was a tin shed. Now it looked like a photographer's darkroom. The barber told me not to touch anything lest my clothes should get dirty. He showed me all the blackened instruments and the furniture which had been completely burnt. I asked the barber whether he had any quarrel with anybody. He said that all the boys who had come to burn his shop had been his regular customers. The boys had come to burn the mosque, but since they couldn't do it they burnt his shop, he said.

The bearded Muslim who was standing by said: I had gone to stay in the Anglo-Muslim High School for safety. My house was looted in my absence. I have lost everything. My landlord has occupied my room and is not prepared to give it back to me. The landlord's boys must have looted my room. Now I am going to the corporator from my locality to get justice. I do not have the money to go to court. Why had he not gone to the Peace Committee? Where is the Peace Committee? After the 1965 riots the Peace Committee was active and it had settled similar problems immediately. But this time the Committee has no intention of doing anything.

Mominpura is a locality densely populated by Muslims. The Mecca and Pinjari mosque are situated in this locality. It was here that Hamid Dalwai, the founder of the Muslim Satyashodak Samaj, had been beaten up by Muslims last year. Shiv Sena processions make it a point to go through Mominpura. The Muslims of Mominpura are weavers and are migrants from Andhra Pradesh or Gulbarga in Mysore. This locality had remained quiet during the 1937 riots as well as the 1965 riots. But this time things were different.

Next to Ghorpade Peth is the Chand Tara Chowk. This is the popular name of the chowk, but some Hindu youths have organised a Lal Bahadur Shastri Mandal here and have started calling the chowk Lal Bahadur Shastri Chowk. In retaliation, Muslim youths have started

a Zakir Husain Mandal. They had called the Mayor at the time of the famine relief fund collection drive and had thus got recognition. There was tension in the locality also because a Muslim had abducted a Hindu girl and a Hindu had kept a Muslim concubine.

The riots here started at 12 o'clock. It all began with the stabbing of a youth named Maruti Mankar. The Hindus were throwing stones from one side and from the other an armed Muslim mob was coming. The Muslims were carrying knives, gupitis, iron bars and swords. A few Hindu shops, including a washerman's and a grocer's, in Chand Tara Chowk were burnt. Also a hotel called Jagdishwar Bhuwan. There is a difference of opinion about who burnt this hotel. The general view is that the Muslims had done it. But some Muslim leaders maintain that the Hindus themselves had set fire to it because the building belonged to a Muslim. But the building was not burnt; only the furniture, which belonged to the Hindu hotel-owner. Further, on either side of the hotel there are Muslim shops which were spared by the mob.

The story of the stabbing of Maruti Mankar, which triggered off the riots, is as follows: Maruti Mankar was a cart driver working for a timber shop. He was well built and liked to play the drum. He had collected the boys of the alley and organised a Jay Bajrang Balmandal. The Balmandal used to organise music and lezhim contests. It also played a prominent part in the Shiv Sena and Shiv Jayanti processions that passed through the neighbourhood. These processions invariably played music in front of mosques. The Muslims thus had a grouse against Maruti Mankar. On the day of the bandh, at about 12 noon, he went to a Muslim shop to get it closed. As the shop-owner refused to close the shop he kicked the shop door. At that point two or three people appeared on the scene and Maruti Mankar was stabbed.

The Matang Society was very active in the neighbourhood of Islampur and Chhaya Talkies. Namdev Pawar was a Matang as were many of those who had participated in the neo-Buddhist wedding procession on April 15, mentioned above. Referring to the attack on Namdev Pawar, one old man, who spoke in the vein of Ambedkar and Phule, thundered: "So you cut off our thumb. We will revenge by cutting your throat."

In this area the Muslims and the Matang-Buddhists have a master-servant relationship. This was another factor

making for tension between the two communities. The Shiv Sena, which had entered the area recently, made full use of the Matang-Buddhists' resentment against their Muslim employers. Shiv Sena leaders and Hindu fanatics made provocative speeches at public meetings. Traditionally the Socialist Party has exercised influence over the Matangs. But this time they ignored the party.

Bhoiees and Tambats are the two major communities in Kasba Peth. They are always quarrelling with each other. The Bhoiees are a fishing community. More recently they have taken to bootlegging, which is no longer as flourishing a business as it once was. The Bhoiees live by the river. The Tambats are like the Deivadanya Brahmins. They don't the sacred thread. Kaka Wadke, the Shiv Sena leader, is a Tambat. Tambats are generally well off and so the gangsterism they practice is more sophisticated. The burnings that took place at Kagdipura was the work of the Bhoiees. Other riots were organised by Tambat youth.

In Kasba Peth, by the Nagzari Nalla, there is a notorious liquor den belonging to a Muslim. It is always crowded in the evenings. The Muslim has a Bhoiee as a partner. The two partners have become affluent enough to buy an Ambassador car each and build six-storey buildings. The Muslim owner of the den sent six bags full of grain to Muslim refugees following the riots. The Bhoiees were enraged by this and arrived in force to burn down the Muslim's house. His Bhoiee partner, however, intervened on his behalf. The crowd asked him: "Why do you need this Mussalman partner? We have no objection to your owning even three Ambassadors."

The next Corporation elections are very near. Many aspirant candidates find themselves in an awkward situation, particularly those who aspire to contest from mixed constituencies of Hindus and Muslims. The last time most Congress corporators had got elected with the help of Muslim votes. But now if they go to help the Muslims, they will antagonise the Hindus. At the same time, they cannot side with the Hindus. Both communities are angry with the Congress. Hindus feel that the Congress has pampered the Muslims. The Muslims allege that in their heart of

hearts Congressmen are communal-minded and that the love they profess for the Muslims is artificial.

In Kasba Peth two boys came running into a building and closed the doors behind them. The SRP police chasing them jumped over the compound wall and started beating up the residents, including women, children and old people. Mohan Dharia, Union Minister of State for Planning visited the building on his casual tour of the riot-affected city. Rambau Wadke, a Socialist Corporator, was accompanying him. Wadke suggested to Dharia that he should listen to the people's complaints about the atrocities committed by the SRP. The people surrounded Dharia. The police inspector on duty got nervous and started firing in the air to disperse the mob.

The SRP had also beaten up women in the Ganj Peth hutments. The wife of a Corporator, Chhailal, took out a procession of these women and gheraoed the police chowky. Mayor Nilubhai Limaye was persuaded to interrupt a lunch he was hosting for Mohan Dharia and Sharad Pawar and go to the police chowky. A large mob had gathered at the chowky. The anger of the people was directed at Congress leaders. Shivajirao Dhare, a Congress MLA, had to leave the scene. Some people from the mob even tried to chase him. Mayor Limaye tried to persuade the crowd to be peaceful. When the mob did not respond to his appeal, he went so far as to threaten that he would immolate himself unless the people heeded his appeal. After the Mayor's speech, Mohan Dharia expressed a desire to speak. Knowing the mood of the mob, some people told him not to speak, but Dharia insisted. In the meanwhile the mob was demanding the suspension of Inspector Kale. Immediately, Mohan Dharia spoke to one of the high-ranking police officials standing nearby and declared with a smiling face that Inspector Kale had been transferred. The people greeted this with long applause. But instead of transferring Inspector Kale, Police Commissioner Kadambande decorated him with a silver medal for his work during the riots.

The riots were concentrated in the eastern part of Poona city in a horizontal belt. The areas were marked off so neatly that when Shukrawar Peth was shaken by riots and had been put under curfew, adjoining localities were completely unaffected. Particularly, people

from the posh areas were enjoying the three-day holiday in their bridge clubs.

Brahmins from Shaniwar Peth are fond of day-dreaming about annihilating the Yawans (Muslims), but when the riots start they bolt their doors and busily take stock of enemy casualties over cups of tea.

There is a Mandal in the locality and a few Brahmin youths come together to take physical exercise. But, since they are Brahmins, they cannot behave like ordinary Pahalwans. Nor will their 'culture' permit them to tease passing girls. So their immediate target becomes Chandabai Daruwala, a Muslim shop-owner of the locality. Some boys made a vain effort to burn the shop at night by throwing kerosene-soaked cloth.

Socialist Corporators, some independent public leaders and a few persons from the opposition parties made valuable efforts to restore peace. Congressmen invariably took no part in these efforts. The contribution of S M Joshi is particularly noteworthy. A large mob had gathered in front of the Manusha mosque in Rasta Peth, demanding that the mosque be searched for suspected stockpiles of lethal weapons. S M Joshi and Baba Adhav tried to pacify the mob. They selected a representative each of Hindus and Muslims to go along with the police while it searched the mosque. A few acid bottles were found in the mosque, hidden under soiled clothes kept for washing in a bucket. Somebody questioned the Muslim representative about this as he came out of the mosque. The Muslim took fright and shouted for help. Immediately there was confusion. The mob thought that somebody was throwing something from inside the mosque. Stone-throwing started and the police started firing. Many people were injured. S M Joshi tried to tell the police to stop firing. A young boy was giving Joshi a piece of cloth soaked in water to protect himself against the tear gas. The next moment the boy was hit by a bullet. Arun Limaye, a Yuwak Kranti Dal leader, pleaded with S M Joshi to sit in his car. But S M Joshi did not accept the suggestion and ran to urge the police to stop firing. In the meanwhile, a bullet went through the rear window of Limaye's car and came through the wind-screen.

The Cantonment area is not usually affected by communal riots. Even in the 1965 riots, this area had been spared. This is a cosmopolitan locality. There is a sizeable population of tailors, dhobis, barbers, etc., who originally set-

tled in the Cantonment in the service of the Army. More recently merchants from Centre Street, particularly the Marwaris, have begun to support Jan Sangh. In the last election to Lok Sabha Mohan Dharia was opposed by Mhalgi of Jan Sangh. One of the big merchants with shops on Centre Street is Hiroli, a Muslim and secretary of the Poona City Congress. According to the decision taken by the Congress party, Hiroli kept his shop open on the day of the Poona bandh and appealed to other shop-owners to keep their shops open. Other Muslims warned him not to take part in these activities.

Till the evening the area was quiet. Then people saw a large armed morcha of Muslims coming from the Gai-Kasai mosque. One Gama Pahalwan resides in this locality. His elder brother had been injured in the riots in Nawa Peth. Incensed by this, Gama Pahalwan had organised the armed procession to go round the locality.

In retaliation, the Hindu mob marked out Hiroli's shop for destruction. To begin with there was some minor stone-throwing at the shop. But immediately Hiroli showered stones and soda-water bottles on the mob. Muslims claim that Hiroli acted in self-defence. But when the police searched his place, they found two cartloads of bricks, stones, acid bulbs, iron bars, etc. Now Hiroli is under arrest on charges of murder.

According to newspaper reports, one Kuldip Pathak died of burns caused by acid thrown by Hiroli. But there were no acid burn injuries on Kuldip Pathak's body. He had died of kerosene burns. These facts were mentioned in the post-mortem report. Yet local newspapers cling to the acid burn story.

According to the police version, Hiroli threw kerosene on Kuldip who was one of the activists burning his shop. The defence version is that the kerosene had accidentally fallen on Kuldip. However, posters soon appeared with photographs of Kuldip, hailing him as a modern-day Dharmavir (after Dharmavir Sambhaji, son of Shivaji Maharaj). The nearby chowk has also been renamed Kuldip Chowk. Those who know something of Kuldip's past are struck by the irony of his deification after death.

A number of Muslims had taken refuge in the Motedina High School and the Anglo-Urdu High School. Muslim social workers were busy helping them. While the relief material came from all sources, only Muslim workers were distributing them among the refugees. A local doctor had collected medicines to help the Muslims, but he was told by a

Muslim League worker that the medicines should be given to them and that they would distribute them. The doctor and his co-workers, however, ignored the opposition of the Muslim workers and distributed the medicines themselves and gave medical treatment to the Muslim refugees.

Muslims found that if they met riotous mobs with heavy stone-throwing, then the mobs invariably withdrew. Many Muslims removed tiles from their own houses to use as missiles. Some of them broke down partition walls in their houses to remove the bricks.

Dawood had rented his pan shop in front of Chhaya Talkies to Sheikh Mahmud for a rent of Rs 4 per day. The shop was looted during the riot and Sheikh Mahmud lost Rs 300 worth of property. But since Dawood was the owner of the shop, it was he who received compensation from the government. Sheikh Mahmud was left grinding his teeth.

The help received from the government is generally paltry compared to the loss suffered by shop owners. The Muslim National Bank has given loans of Rs 1,000 to its shareholders. But even this would not enable them to revive their businesses as there are many difficulties to be overcome. The closure of shops for one-and-a-half months has also resulted in much loss of business.

The reaction to the riots of aspiring candidates for election to the Corporation was interesting. A Pahalwan from Ganj Peth wanted to contest the elections. In the first few days of the riots, he did not dare move out of his house. Then some people formed the Peace Committee. After the Peace Committee had been formed, the Pahalwan took a leading part in the morcha organised by the Peace Committee. The residents of the locality were incensed by this and asked one of the popular corporators why, when he had done all the work endangering his life, the Pahalwan was taking credit for the work of the Peace Committee.

Newspapers exaggerated the severity of the riots out of all proportion. Some 50 families were rendered homeless in the riots and about 50 shops, big and small, were looted. There were about 10-20 stabbing incidents. The toll taken by the Poona riots is nothing com-

pared to that of the Ahmedabad, Ranchi or Jabalpur riots. Yet they have received a great deal of attention. This was on account of a political coincidence.

The Central Home Minister, Uma Shankar Dixit, was in Bombay to attend a wedding when the riots started in Poona. Someone, perhaps pointed out to Dixit that there might be questions in Parliament as to why, in spite of being so close to Poona at the time of the riots, he had not gone there. To avoid such embarrassment, he decided to make a hurried trip to Poona and arranged for the Maharashtra Chief Minister, V P Naik, to accompany him. The two dignitaries visited the Cantonment area and one or two other places. Thereafter they held a press conference and went through the motions of discussing the situation with Socialist leader S M Joshi and Mayor Limaye. Both were back in Bombay in two or three hours. The news of the visit of the Union Home Minister and the Maharashtra Chief Minister immediately received all-India coverage. Much political significance was attached to the visit. Leaders of all political parties rushed to Poona to show their concern. Nanaji Deshmukh (Jan Sangh), George Fernandes (SP), Madhu Mehta (Swatantra), Banatwala (ML), two observers of the AICC, as well as the Mayor of Bombay, Sudhir Joshi (SS), came to Poona, Mohan Dharra and R K Khadilkar were present all through, Poona being their parliamentary constituency. All the distinguished visitors followed the same stereotyped programme. On arrival, they went on a quick 'survey' of the riot-affected areas as accompanied by two Corporators and then held a press conference. After that, they quietly disappeared. Most of the visiting dignitaries were not prepared to go to the worst affected areas. The police were as much harassed by these leaders wiping their crocodile tears as by the actual riots.

I met a high ranking police officer. He said that the communal riot, and the tension which had preceded it for the last four or five months, had proved a great 'nuisance' to the police. Police officers had been given orders to report even minor quarrels between members of the two communities, such as over the filling of water at common taps. January is the month for kite-flying and it is customary for boys to fight over kites. But if in a particular instance one boy was a Hindu and the other a Muslim, then it became a serious matter for the police. Policemen had to run to the

scene of the quarrel dropping everything else. Only few days ago some Muslim, Hindu and Sikh boys were playing hide-and-seek in the Shiva temple in Sangavi village under the Poona Municipality. Some of them urinated in the temple. The moment the incident was reported to the police officer I was talking to, he himself rushed to the village and arranged to suppress the news. And with the consent of their parents he even sent the boys to the Renand Home. Otherwise news would have spread that some Muslim boys had urinated on Lord Shiva. Jan Sanghis and Shiv Sainiks would have been immediately rearing to go and urinate in mosques!

Maruf Khan said to me: The sufferings of the Muslims will end if our right to vote is withdrawn. We were opposed to the Congress in 1965; so the Congress harassed us. Congressmen spread the news that Maruf Khan was in possession of an illegal transmitter. So many years have passed since then, but still no case has been filed against me. Now the Muslims support the Congress, for which they are being harassed by Jan Sanghis and Shiv Sainiks. Ultimately it all boils down to our vote. Why not take it away? Then we will be happy.

Talking about the riots, Maruf Khan said that wherever the Muslims had retaliated their houses had been saved. Where they had no defence, they had

suffered. According to him, the police had been partisan. This is how he put it: Whenever our people were ready to retaliate or defend themselves, the police persuaded us to go back. And when we went back, the rioters burnt our houses without let or hindrance. But Muslims from Ravivar Peth refused to retreat. They told the police that they would withdraw only after the police had driven away the mob. As a result, even though it was an overwhelmingly Muslim locality, there was relatively little damage. The Buddhists who took an active part in the riots will in the end meet with the same fate at the hands of the Hindus as we have.

The riots ended. Soon came the news of the postponement of the Municipal elections by six months. The sitting corporators and other aspiring candidates were relieved. They need not worry how the riots and the hostility between the Hindus and Muslims will affect their election prospects.

Some Hindu Mahasabha people went to Namdev Pawar asking him for permission to felicitate him. Namdev told them that he was not a politician. He was in fact rather unhappy to have in a way been the cause of the riots.

Matangs, Chamars, Bhavsars, Balwars, Tambats, Bhoies — all have gone back to their usual business. Even Hasmat-bai, the owner of the pan shop, has purchased new 'lotas' and reopened her shop.

MAHARASHTRA

Not the End of the Peasantry's Problems

D N

A COUPLE OF DAYS of steady rain in Bombay, and reports of showers in the countryside were turned into the end of the drought. And the end of the drought was taken to mean the end of the acute problems of the peasantry. It was conveniently forgotten that peasants would have to earn some income in order to live till the next harvest.

But even the drought itself has not ended yet. Most of Maharashtra has had deficient and scanty rains. Seeds that have been sown are drying up. To make matters worse the bajra seed supplied by the government, through the zilla parishads and co-operatives, is mainly hybrid — which is not as hardy as the ordinary variety and is particularly dependent on quick and

timely water supply.

The last few years of famine have left the peasants with absolutely no seeds of their own (they don't even have grain). Seed prices are two to four times the normal. Trading in seeds (as in bullocks) is now one of the most profitable lines. Traders who formerly smuggled in grain from other states are now openly bringing in seed.

There are many peasants who have already carried out sowing. If the rains do not come soon they will have to re-sow. There are others who have not yet sown. Not being able to take the risk of losing the seed after having paid for it, they are waiting for regular rains before buying seed.

Many peasants reduced to conditions of absolute impoverishment are being forced to change their crop pattern. In Ahmednagar district, which is a predominantly rabi area, the peasants, unable to wait so long, are attempting to cultivate kharif crops. In restarting agricultural operations, availability of seeds and their prices are not the only, nor even the main, problem that the peasants face. In fact the most pressing problem is that of the paucity of bullocks. No firm estimates of the loss of cattle have been made, but enquiries show that it is likely to be as high as 50 per cent of the total stock of bullocks. The loss of bullocks is of course greater among the poorer sections of the peasantry. Some have been saying that it is perhaps a good thing that such a large number of cattle have died, since India has an excess stock of cattle and a large proportion of the cattle is very weak, etc. These persons forget that while it might be true that India has an excess stock of cattle when seen from the point of view of some kind of capitalist farming (which however need not necessarily be mechanised), India's stock of cattle is not excessive when seen from the point of view of peasant farming. The weak condition of the cattle (and of the peasant and his family) is then an effect of the weakness of peasant farming itself; and the loss of bullocks will weaken the peasant even further.

The government is distributing *tagai* for the purchase of bullocks and the amount has been fixed at a maximum of Rs 1,000. But the total amount of *tagai* being distributed is entirely inadequate and will hardly be enough to purchase two or three bullocks in every village.

The price of bullocks has gone up — bullocks that a few weeks ago sold for less than Rs 300 are now selling for more than Rs 1,000. Along with the purchase price of bullocks, their rental has also gone up. Rich farmers who managed to save their bullocks and also bought cattle from the poor and middle peasants are now charging from Rs 30 to Rs 60 per day for a team of bullocks.

LOSS OF CATTLE

The loss of cattle is still continuing at a rapid rate. In the village of Bhoire Pathat, in Ahmednagar district, for instance, cattle are dying daily. Government which was formerly distributing *tagai* in the form of fodder, is now distributing money and leaving it to

the peasants to buy their own fodder in the open market. As in the case of seeds, there could be no plainer admission of the government's unwillingness to move against the traders who are reaping huge profits from the existing situation.

The loss of animals has also made milk very scarce. In places tea is now usually drunk without any milk at all. A more important effect of the loss of bullocks has been that some peasants who have no bullocks have had to give their land to the richer peasants to cultivate. They will get a share of the crop and will have to supplement this by working as labourers, agricultural or other.

At the same time, at least for the coming season, very few peasant families will be able to return to working only on their own land. While some members of the family work on the land, others will have to regularly earn money as labourers. The burden of working for a wage will fall particularly on the women, who do not have much of a role in agricultural production till harvest time.

Many would be forced to borrow for consumption purposes — even at the 50 per cent to 100 per cent per annum rates of interest that prevail. But moneylenders are unwilling to give 'unsecured' loans. Even though there is at present hardly any market for *jirayat* (dry) land, the moneylender would be only too glad to give loans if the peasants would sign their land against the loans. But the peasants knowing full well that land pledged to the moneylender never returns to the peasant, and knowing the condition of landless labourers, are quite unwilling to mortgage their land. By working on relief and eating less the peasants have got to this point without substantial losses of land.

The main losses of land have been due to the tanks, roads and other such projects. In areas where there has been little consolidation of land holdings and peasants own many scattered strips of land, it is quite likely that very few have become completely landless as a result of the projects. But the amount and timing of compensation are sore points. Some *ad hoc* advance payments have been made, but in many cases the assessment of the land value has not yet been done. Where it has been done the valuation seems on the low side. Land acquired for the irrigation tank Deulgaonsidi (Ahmednagar taluka) has been valued from Rs 1,200 per

acre for *jirayat* land upto Rs 1,800 per acre for *bagaiyat* (irrigated) land. This valuation is not based on market prices but on certain calculations made by the relevant government department. That the valuation is on the low side can be shown by the fact that over the last five years market transactions of some *jirayat* plots in a village in the same taluka give an average price of Rs 2,500 per acre.

UNPRODUCTIVE RELIEF WORKS

Many of the 'productive' works that were taken up are not producing any results. Take the 'community' wells for instance. First of all, one wonders why these wells were ever called 'community' wells. The community does finance their construction, but it has little to do with the benefits that flow from them. The famine has been a god-send to many rich farmers who have managed to have 'community' wells dug on their land. But bungling of various kinds is seeing to it that they do not benefit as much as they could have. In Ahmednagar district, 55,000 workers are busy digging 2,247 'community' wells. But the labour on almost all of these wells is likely to be a waste. For not many wells have as yet struck water, and even in those that have struck water the masonry work has not been taken up. In Ahmednagar taluka, for instance, 251 wells are being dug. Of these 35 have so far struck water. But no masonry work has been taken up. The rains so far have not been heavy. But when there is substantial rain these wells will get flooded and their walls will cave in. There are no pumps around with which to pump out the water. So the work on a vast majority of the wells will have to be abandoned. Government is now getting ready to give loans to peasants to complete digging of wells on their own lands and to instal pump-sets. With the inevitable discrimination against the poorer peasants this will mean that even those among them who have been having wells dug on their land will not really benefit from the work.

There are other relief works which have come to nothing. A lot of metal has been broken. But the metal has not been laid on the roads that have been constructed. Even the little rain that has fallen so far has started washing away the roads. Percolation tanks were constructed with little rolling and some of them are reported to have developed cracks.

NORTH

Going the Whole Hog!

IN the belief that a drive to build up an ultra-socialist image may cover up the lack of concrete achievements, the Punjab government is rushing ahead in directions where the implicit risks dictate the utmost caution. The craze for takeover is the latest example. Despite all the loud claims made by Punjab Ministers during April and May, the chances of fully achieving the 34-lakh tonne wheat procurement target cannot be rated high. Chief Minister Zail Singh fears that even the Union Food Ministry's bonus scheme might not make much impact on procurement since it has come rather late in the day. In fact, most North Indian farmers have rejected the scheme as inadequate and have focused attention on their basic demand for higher procurement prices. The long queues at the ration shops and the scramble for vanaspati hold out the dismal prospect of a prolonged summer of discontent. Even so, the state government is actively considering a takeover of the trade in other essential goods.

During the recent Chief Ministers' Conference in Delhi, spokesmen of Punjab went out of their way to impress the Centre with the state's achievements on the food front, compared to the other states where the procurement drive had either failed or yielded totally unsatisfactory results. On June 19, the government appointed a 10-man committee, headed by the Chief Secretary, to plan the supply of essential commodities to the common man at reasonable prices and submit a report in three weeks. Another committee of publicmen will scrutinise the report before the cabinet finally takes a decision on it. The Chief Minister has admitted that the "middle-of-the-road" policy now being followed in this sphere had failed; hence the need for going the whole hog. The entire process, right from the manufacturing stage to the point of distribution, he said the other day, "must be under the government's complete control".

In Haryana there is no scheme for such complete control. But though the wheat procurement drive has met with only partial success (the achievement is unlikely to exceed half the target of 13 lakh tonnes), plans are being

drawn up to acquire substantial stocks of maize and bajra, apart from rice, in the next kharif season. The paddy levy has been enhanced from 90 per cent to 95 per cent. The state's Agriculture Minister, Bhajan Lal, stated on June 22 that the official machinery had been put on a "war footing" to increase kharif production and make up for the setback in wheat that has tarnished Haryana's image. Unless the vagaries of the weather thwart the plans, Haryana is hopeful of having a record kharif production of 16 lakh tonnes, of which about 12 lakh tonnes could be handed over to the Central pool. Officials contend that a bumper kharif crop would also lead to larger market arrivals of wheat.

Touched to the quick by New Delhi's snub for failing to fulfil its wheat commitments, the Haryana government has just launched a massive drive to unearth and procure wheat stocks held by the big farmers. For this purpose, a task force of officials has been organised in each district. Groups, each a dozen strong, visit the villages where intelligence reports indicate the existence of large wheat stocks retained by affluent landlords in the hope of netting handsome gains in the lean months. Among such profiteers are some leaders of political parties. Payment for the grain unearthed is made on the spot.

The Haryana Ministry, under the leadership of Bansi Lal, has so far been remarkably stable and free of wranglings, but it is now showing signs of strain. At a meeting of the Congress Legislature Party held a few days ago, the Chief Minister sharply criticised his colleague in charge of Food and Agriculture and held him responsible for both the low rabi output and the state's failure to fulfil its procurement commitments. The Agriculture Minister also blamed for having "misled the government" about the crop prospects. The Minister did not take the charge lying down but retorted that his department was "as good or as bad as any other". The Chief Minister had instructed the Deputy Commissioners to visit the farms and take over as much wheat as they could. But the Agriculture Minister asked them to go slow. He explained that he had merely advised them to

be "cautious" so as not to provoke clashes.

Shyam Chand, the only Harijan Minister of Cabinet rank in Haryana, is also under fire, though for an altogether different reason. Party members have repeatedly accused him of spending most of the Harijan welfare funds in his own constituency or in the constituencies of senior Ministers and other favoured people. Discrimination in the disbursement of such grants is indeed widespread. VIP constituencies flourish while others are continuously neglected. A Congress MLA who is on the Welfare Fund's board of directors managed to secure Rs 14 lakhs out of Rs 19 lakhs at the Board's disposal, for his own constituency. The Minister's western education and polished manners have made him popular among the elite, but some legislators complain that Harijans do not feel at home in his company! The party decided that all fresh grants out of the Harijan Fund would in future be spent on constituencies that have not been covered so far. Two days later, however, the Chief Minister scotched all rumours of a ministerial shake-up. Denying the reports of a rift in the party, he claimed that the party remained "completely united". He said there was no question of reshuffling the ministry or of changing the portfolios of any of the Ministers.

In Himachal Pradesh, the clamour for a ministerial reshuffle seems to have died down following repeated directives from the Centre to the dissidents not to precipitate matters since there was no intention "at present" of effecting any change in the state Congress leadership. The party has meanwhile launched a mass contact programme (described as "the first of its kind") to acquaint workers with its policies and programmes through a series of conferences and seminars being held throughout the state. The basic aim of the "Know the Party programme" is to make Congressmen effective in implementing the progressive measures taken at the Pradesh and national levels. Chief Minister Parmar, who inaugurates most of these seminars, has repeatedly urged party-men to sink their differences and forge unity "to meet the challenge of reactionary forces". This is being interpreted as a calculated move to queer the pitch for the dissidents who have not been associated with the drive. But the dissidents have not lost their strength and are biding their time.

SOUTH

Moves in Kerala

Mohit Sen

THE relatively greater political stability in Kerala should not be taken to mean that the state has become an Indian version of Dullsville. On the contrary, precedent-setting events continue to take place, which a crisis-fed national press often chooses to ignore.

Among the more interesting of these developments is the controversy that is beginning to surface in the CP(M). It has been rumoured that Sundarayya wrote to his Kerala unit warning against entering into any alliance with the Right. As a result, when the Kerala Congress publicly appealed to the CP(M) for a joint campaign against the state government on the issues of prices, the state secretary of the CP(M) equally publicly proclaimed his party's inability to respond to that appeal. He correctly pointed out that whereas Kerala Congress was of the view that to bring down prices the free market system should be restored, his party was for the state take-over of the wholesale trade in foodgrains. On this, as on many other issues, the standpoints of the two parties were too dissimilar to permit any kind of joint front or campaign. The CP(M) state secretary's statement was splashed across the front page of the CP(M) daily *Deshabhimani* along with critical remarks against the CPI and others who were accusing the CP(M) of joining the grand alliance of reaction.

But soon there came the statement of A K Gopalan, the CP(M)'s politbureau member. This statement was also very prominently displayed on the front page of *Deshabhimani*. In the statement Gopalan welcomed the Kerala Congress's wish to have a joint campaign and added that, despite the known political differences, the CP(M) would plan joint or convergent actions from issue to issue.

It did not escape the notice of political commentators in the state that not only were the two statements almost diametrically opposed to one another but that both received equal treatment in the columns of the party organ. Some even recalled that this was what used to happen in the undivided CPI in the days of the sharp inner-party differences when not only did leaders openly differ but their respective followers were strategically placed so that nobody had a monopoly

of publicity, at least as far as the party press was concerned.

Against this background there is considerable speculation on the now confirmed report that Namboodiripad would be shifting to Calcutta to take over the editorship of the CP(M)'s central organ, *People's Democracy*. The official explanation is that the present editor, Basavapunniah, is in indifferent health and the party is thus not getting the kind of centralised guidance from the paper that it needs and expects. But other alternative explanations are also being offered. It is said by some that the Kerala state secretary of the CP(M) and those leaders who do not like at all the idea of a united front with the Right are anxious to have the former Chief Minister out of the state. Others are of the view, however, that Namboodiripad would proceed to the centre to strengthen those elements in the all-India leadership who want the party to build an all-India anti-Congress front irrespective of the differing aspirations of the components of that front.

It is quite possible that the truth of the matter is a combination of all the three explanations. However that may be, there are indications that important sections of the CP(M) leadership are quite worried by the menace of Right reaction and its growth. They are said to be of the view that while it is true that Indira Gandhi has to be overthrown, it is essential to remember that the CP(M) should be around when that happy event takes place. But if the Right wins, there would be no CP(M) to take advantage of the fall of the lady! And all the perennial arguments are on as to whether the Right can be fought without overthrowing the government or whether there should be a simultaneous battle against both or whether the main fire should be directed against the government while also fighting the Right.

It would be a great pity if the CP(M) is not able to see the writing on the wall not only in India but more particularly in Kerala. Not only is the Right on the offensive and the Centre wobbling before it, but it is in Kerala that the proper kind of alternative to both has been found, has functioned and done a great deal of good to the toiling people as well as to the state as a whole. Where else in India with the

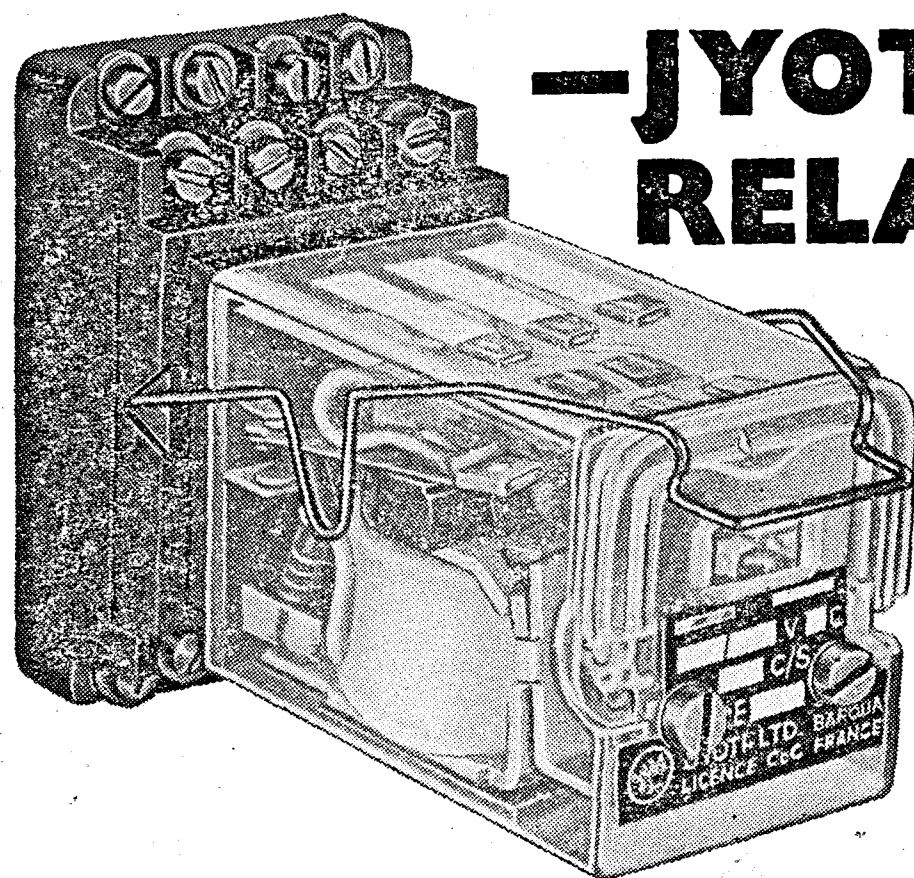
Congress also as a part of the government has the DIR been used against prominent and so-called well-placed hoarders? Where else is one to find that kind of dialectical unity between constructive activities and the struggle for social advance? After all, it was life's experience itself that led the CP(M)-controlled panchayats in the state to be in the forefront when it came to implementing the one-lakh housing scheme initiated by M N Govindan Nair of the CPI. The pity of it is that there is no attempt made to generalise from actual experience.

It would be, of course, too much to expect the CP(M) to give up all at once its oppositional role in Kerala. But when, for example, the Rs 15-crore scheme for the reorganisation of the coir industry is at last sanctioned by the Centre — a scheme put forward by T V Thomas of the CPI in 1967 when Namboodiripad was the Chief Minister — on what grounds can the CP(M) refuse to offer co-operation for the implementation of the scheme? The issue-to-issue approach advocated by Gopalan *vis-a-vis* the Kerala Congress could far more profitably be applied by his party to the Kerala government. This would lead to far-reaching and most advantageous political changes, not only in Kerala but throughout the country.

In the meantime, it is all to the good that Kerala's Chief Minister has declared that in the state, as well as throughout the country, the public sector should be in a preponderant position in the industrial sphere. The Left inside the ruling Congress in Kerala should remonstrate with the party's central leadership against the Central Government's advice to hand over the ilmenite deposits in the state to the Thapars despite the state government wanting its development in the public sector. This kind of concessions to the monopolists bodes ill for the nation and certainly is quite opposed to the social stand adopted by the KPCC that the mixed economy should be replaced by a genuine socialist economy. Such struggle by radical Congressmen against backsliding in their own party would have a galvanising impact, not least on the mass following of the CP(M).

It is not at all ruled out that all the moves going on in this state would lead to that kind of regrouping of the Left and democratic forces which would give the country a big push to the Left.

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REVIEW OF

AGRICULTURE

June 1973

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Barry H Michie

Review of Agriculture is published four times a year, on the last Saturday of March, June, September and December.

Manuscripts intended for publication should reach the Editor at least six weeks ahead of the date of publication.

Abdication of Responsibility

IT is one thing to recognise that the government's failure on the procurement front reflects what a hash has been made of the abolition of private wholesale trade in wheat; it is quite another to suggest that the decision to take over wholesale trade was in some way responsible for the collapse of the procurement effort. Yet that is precisely how the matter is being put. Instead of learning from it what needs to be done to make a success of procurement of kharif cereals, the experience with wheat in the current rabi season is being seen as a warning against going ahead with the take-over of wholesale trade in rice. It is, of course, understandable that foodgrain traders and other directly and indirectly affected business interests should see things in this light. Nor is it surprising that the Congress party and the government should also try to use the wheat fiasco as an excuse to wriggle out of what has turned out to be an unprofitable involvement.

But what about the Agricultural Prices Commission? Surely, it was expected that the APC would draw the appropriate lessons from the limited experience with the wheat trade take-over and use them in formulating policies for the kharif foodgrains? This, regrettably, it has not done. Its latest report on the price policy for kharif cereals has nothing to add, in terms of analysis or facts, to the debate on the future of the take-over of foodgrains trade. The unexceptionable argument is advanced that the abolition of private wholesale trade enlarges the government's obligation to provide foodgrains to the consumer through the public distribution system. The equally non-controversial point is made that the government can discharge this obligation only if it is able to procure enough foodgrains to build up public stocks. But once such generalities have been exhausted, the Commission turns casual and cursory. Take, for instance, its approach to estimating the likely demands on the public distribution system. On the basis of annual per capita supply of 100 kg of wheat and rice, the requirements of the urban population of these two cereals are estimated at 11 mn tonnes. And if the demand of that segment of the rural population which is not self-sufficient in foodgrains is taken into account, the requirements "could substantially mount up". On the specific question of how much rice would have to be procured out of the next kharif harvest, the Commission can only say that it would have to be "considerably more than double the maximum achieved in the past". "This implication" the Commission then proceeds to point out, "would deserve to be taken into account before deciding to alter the structure of the dual market in rice in the coming marketing season". The same warning is repeated with regard to coarse cereals: "Without an adequate cushion of the buffer, any large-scale tampering with the market for these commodities could be ineffective and even lead to adverse consequences."

If this is intended to scare away the government from persisting with the take-over of the wholesale trade in foodgrains, then the effort is unnecessary. The government does not seem to need any persuasion in this matter. Instead, the Commission could have addressed itself usefully to giving a more tangible indication of the size of the procurement effort called for and, more important, spelling out the policies required to carry through this effort. The first the Commission doesn't do; and as for procurement policies, the only positive measure it has to suggest is an increase in procurement prices. There appears to be little basis for the actual increases — from Rs 54 to Rs 63 per quintal for paddy, for instance — recommended in procurement prices. For, the Commission itself admits that the crucial determinants of the level of procurement prices, such as the prospects for the ensuing crop and the likely trend of market prices, are all "imponderables in the situation at this stage". In this respect at least it has served the Commission right that last month's conference of Chief Ministers decided to convert the procurement prices recommended by it into minimum support prices — on the impeccable logic that the only prices that could be meaningfully fixed for the next kharif season at this stage were support prices! The Commission's attempt to justify the higher procurement prices in terms of the costs of production is even less convincing. It begins by complaining that the available estimates of costs of production "suffer from various deficiencies". Yet it does not hesitate to ask state governments to furnish cost estimates for paddy. And lo and behold, all the estimates "are found to converge, by and large, within the range of Rs 50 and Rs 55 per quintal". To make doubly sure, the Commission also asks the state governments to suggest procurement prices and these again neatly fall between Rs 55 and Rs 65 per quintal. Thus satisfied, the Commission goes on to fix the procurement price of paddy at Rs 63 per quintal.

It is true that the Agricultural Prices Commission has long suffered from consistent neglect of its recommendations by the government. Also, the present is perhaps an inopportune moment to get the Central and state governments seriously interested in procurement policies which have any bite in them. Increasingly, official concern with food policy seems to be getting narrowed down to how much foodgrains to import, from where to import them and how the imports are to be paid for. None of this, however, justifies abdication of responsibility by a body of non-official experts like the Agricultural Prices Commission. The value of the Commission's work — rather like that of the Monopolies Commission — lies in the uncovering of facts and the spelling out of the implications of the government's policy objectives. In this respect, its latest report is a non-starter and a sharp come-down compared to even some of its own predecessors.

Wheat Price Movements

An Analysis

N Krishnaji

The rapid rise in the production of wheat following the record crop of 1967-68 did not bring about a significant fall in wheat prices. It is argued here that this trend in prices must be attributed to the policies followed by the government.

Two policy instruments are examined in this context, viz, (a) procurement and (b) movement restrictions. It is shown that both these instruments have been used to further a policy that favours the large farmers, particularly of the Punjab-Haryana region.

I

Introduction

ANY review of price policy must begin with a clear understanding of the underlying objectives. A statement of these is to be found in the terms of reference of the Agricultural Prices Commission (APC) formed in 1965. The APC is asked to advise the government on price policy through a relative price structure for various agricultural commodities which should be "in the perspective of overall needs of the economy and with due regard to the interests of the producer and the consumer".¹ The commission is exhorted to keep in view the need to provide incentive to the producer... and the "need to ensure rational utilisation of land..." as also the "likely effect of the policy on the rest of the economy..."² These considerations are reflected in some measure in the package of recommendations made year after year by the APC. But these are never accepted (Table 1 presents just one feature of this phenomenon) by the Chief Ministers who

are the policy-makers. Could this be because the APC's recommendations are never in consonance with the real objectives of price policy as against the declared ones? The following analysis shows that the answer is in the affirmative.

II

The Policy Instruments

THE PRICE STRUCTURE

In theory as well as practice the price structure is a three-tiered one comprising a minimum support price, the procurement price and the market price. One could add a fourth, viz, a statutory maximum price, to this scheme but it is of no significance because of the universally acknowledged existence of the black market. The conceptual framework of this price structure is easily understood: the minimum support price should cover costs plus normal profits and hence should be a guarantee price to farmers at times when market price falls (or threatens to fall) appreciably in good years; the procurement price should be below the market price

but above the support level and hence procurement should essentially be regarded as a tax. No one would dispute with this scheme if the overall objective is one of price reduction but if it is not — and it is not —, a re-ordering of the three tiers is needed. If, for example, the objective is to hike up prices to the maximum possible extent there is no need for the procurement price to be below the market price and the support prices need play no role at all even in good years; the procurement and market prices can stay close to each other for ever. That the government had never any intention of accepting the distinction between support and procurement prices is clear from the preface to the APC's report on minimum prices for 1968-69 signed by a secretary to the government: "...it was decided not to announce the minimum support prices for wheat and gram for 1968-69 crop as government was already committed to purchase any quantity of foodgrains offered for sale at procurement prices. It was considered that as procurement prices were vir-

TABLE 2 : WHEAT STATISTICS—ALL-INDIA

Year	Production	Net Imports*	Procurement*	Public Distribution	Index Number of Wholesale Prices					
					Annual Average		April-June †		Jan-March †	
					(Million Tonnes)	61-62 =100	52-53 =100	61-62 =100	52-53 =100	61-62 =100
1950-51	6.83	—	—	—	—	96	—	92.3	—	100.7
51-52	6.18	3.06	0.79	3.48	—	94	—	94.7	—	92.0
52-53	7.50	2.55	0.78	2.98	—	100	—	96.0	—	102.7
53-54	8.02	1.71	0.21	2.11	—	93	—	92.3	—	90.7
54-55	9.04	0.20	—	0.98	—	75	—	78.0	—	75.3
55-56	8.76	0.44	—	0.26	—	72	—	60.7	—	85.0
56-57	9.40	1.10	—	1.15	—	88	—	80.0	—	95.3
57-58	8.00	2.88	—	2.16	—	88	—	90.7	—	84.6
58-59	9.96	2.71	—	2.95	—	105	—	88.0	—	121.0
59-60	10.32	3.54	0.26	3.52	—	96	—	95.0	—	96.0
60-61	11.00	4.38	0.40	3.52	—	90	—	88.3	—	91.0
61-62	12.08	3.09	0.02	2.69	100	91	—	87.3	—	97.3
62-63	10.78	3.25	—	3.34	—	98	99.3	89.3	97.3	88.0
63-64	9.85	4.07	—	3.80	—	106	96.7	—	121.3	—
64-65	12.26	5.62	0.09	6.85	138	—	116.7	—	157.3	—
65-66	10.39	6.57	0.38	5.94	149	—	144.0	—	152.0	—
66-67	11.39	7.83	0.22	8.14	178	—	152.0	—	215.7	—
67-68	16.54	6.40	0.80	7.37	214	—	205.7	—	212.3	—
68-69	18.65	4.77	2.37	5.75	204	—	194.0	—	211.3	—
69-70	20.09	3.09	2.42	5.20	205	—	199.3	—	233.1	—
70-71	23.25	3.42	3.18	5.34	209	—	206.0	—	210.0	—
71-72	—	1.81	5.08	4.44	208	—	201.0	—	218.0	—

* Data refer to calendar years (the figure against 1951-52 refers to 1951, etc).

† April-June prices refer to the average of the three month end indices and similarly January-March prices refer to the averages of the three corresponding months. Here the annual average 1952-53 and 1961-62 are taken as 100.

Sources: (1) Reports of the Agricultural Prices Commission.

(2) Bulletin of Food Statistics.

tually fulfilling the role of the support prices, the announcement of minimum support prices might confuse the farmers and create apprehensions that the policy of offering incentive prices was being revised by the government...³ And last year (1972) early December "saw the Union Minister of State of Agriculture, A P Shinde, admitting in Parliament that procurement of foodgrains in the kharif season was likely to fall considerably short of the target of 4.5 million tonnes... The reason for this failure to attain the target, he blandly explained, was that the government's procurement prices were currently much lower than the open market prices"⁴ Procurement prices cannot stay behind (not far, anyway) market prices for long, as we have already remarked. Given this regime of prices it is easy to understand why the government is unable to procure grain in years of crop failure and it is equally legitimate to identify procurement as essentially a support operation in good crop years. No comment is needed on the relevance of this arrangement for a policy of price reduction. Procurement as an instrument of price policy cannot, however, be fully evaluated in isolation from the other instrument, viz, movement restrictions and it is to this that we now turn.

ZONES

The subject of movement restriction by zoning has aroused a great deal of

controversy among economists as well as policy-makers but the essential point is that the case for movement restrictions rests on the single argument that the constitution of every state into a zone makes it easy for the government to purchase large quantities of grain in surplus states and also in surplus regions elsewhere.⁵ A little reflection shows that the impact of a given combination of zoning and pricing policies on final prices would crucially depend on (a) the

procurement price, (b) the amount procured and (c) where the procured grain is distributed and at what price. Now, these three elements can be so chosen as to increase the average all-India price in very much the same way as to decrease it. So much for the theory, but how did the combination actually work in practice? The year to year changes in the movement restrictions⁶ might, at first sight, appear to be symptomatic of a St Vitus' dance, but closer examining

TABLE 1 : PROCUREMENT PRICES OF WHEAT—HARYANA, PUNJAB AND UP

(Marketing Seasons)

(Rs per quintal)

Year	State	Red		Common White		Superior		Mexican	
		APC *	Govt †	APC	Govt	APC	Govt	APC	Govt
1966-67	{ Haryana Punjab UP	53.00	—	57.00	59.50	61.00	63.50	—	—
		53.00	—	57.00	59.50	61.00	63.50	—	—
		53.00	—	57.00	94.45	61.00	—	—	—
1967-68	{ Haryana Punjab UP	57.50	—	61.50	76.00	65.50	96.85	—	—
		57.50	—	61.50	85.00	65.50	81.00	—	—
		57.50	80.00	61.50	76.00	65.50	—	—	—
1968-69	All States	66.00	72.00 to 74.00	70.00	76.00	74.00	81.00	66.00 to 70.00	76.00
1969-70	"	66.00	66.00 to 74.00	70.00	76.00	74.00	—	70.00	76.00
1970-71	"	66.00	71.00 to 74.00	72.00	76.00	—	—	72.00	76.00
1971-72	"	68.00	71.00 to 74.00	74.00	76.00	—	—	74.00	76.00
1972-73	"	66.00	74.00	72.00	—	—	—	72.00	—

* Prices recommended by the APC.

† Prices fixed by the state governments.

Source: Reports of the Agricultural Prices Commission.

TABLE 3 : GOVERNMENT OPERATIONS RELATING TO ALL FOODGRAINS

(million tonnes)

Year	Imports	Procurement	Public Distribution*
1951	4.80	3.83	7.99
1952	3.93	3.48	6.80
1953	2.03	2.09	4.60
1954	0.84	1.43	2.15
1955	0.71	0.13	1.64
1956	1.44	0.04	2.08
1957	3.65	0.29	3.05
1958	3.22	0.53	3.98
1959	3.87	1.81	5.16
1960	5.14	1.27	4.94
1961	3.49	0.54	3.98
1962	3.64	0.48	4.37
1963	4.56	0.75	5.18
1964	6.27	1.43	8.66
1965	7.46	4.03	10.08
1966	10.36	4.01	14.08
1967	8.67	4.46	13.17
1968	5.69	6.81	10.14
1969	3.85	6.51	9.46
1970	3.59	6.74	8.86
1971	2.00	8.87	7.71

Source: Same as in Table 2.

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plants in Maharashtra.

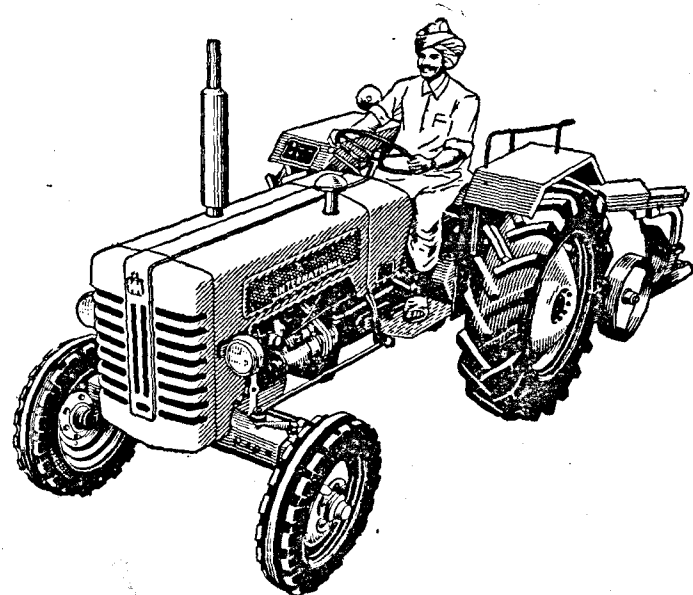


TABLE 4 : SQUARES OF SIMPLE CORRELATION CO-EFFICIENT

Price	Imports of		Public Distribution of	
	Wheat	All Food-grains	Wheat	All Food-grains
Annual average price	0.23	0.19	0.60	0.66
Harvest price*	0.19	0.13	0.52	0.61
Off-seasonal price†	0.26	0.22	0.63	0.68

* Average of three month-end wholesale prices, April-June.

† Average of three month-end wholesale prices, January-March.

tion reveals at least one simple empirical rule: relax restrictions in good years. We shall study in detail the impact of this policy on prices in a later section but it is clear that such a policy is advantageous to sellers because unfettered movement is an excellent cushion against a fall in prices in a bumper year while strict zoning might bring about a drastic price reduction. This cushion is, of course, strengthened by the procurement price fulfilling the role of a support price.

by a falling trend in prices (except for the last year of the period, i.e., 1956-57, but note that this price was lower than the 1952-53 price by 12 per cent) in contrast to the queer trend of 1968-72. The difference, of course, was that in the earlier period there was practically no procurement and price support. We shall discuss the contribution of zoning policies to this difference in price behaviour in the two periods later on.

A MODEL OF PRICE BEHAVIOUR

To explain price variation over the period 1951-72 we begin with the simple formulation that the price level, in the absence of governmental intervention, depends only on excess demand (i.e., the excess of demand over supply). This gives rise to the question: How does one measure the demand-supply imbalance? We follow the usual econometric practice of looking for a 'proxy' for excess demand instead of trying to estimate the gap by using assumed consumption norms. The quantum of imports is the most obvious candidate for this purpose but we have considered the quantum of grain operated through the public distribution system as a competitor for the obvious reason that a part of the deficit is met through stocks to which locally procured grain also contributes. An extreme case may, perhaps, illustrate this more clearly. Suppose in a given year that there were no imports. Do we conclude that there was no deficit? No; because the deficit might have been met through depletion of stocks and both imports and procurement are used for stock-building. The grain released

III Production, Imports, Procurement and Prices

Some all-India wheat statistics are given in Table 2. The relationship between prices and production appears distinctly anomalous for the post-1968 period. That there was a decline in the overall deficit during this period, following a rapid rise in production, is reflected in the clearly declining trend in both imports and the quantum of public distribution of wheat. But one may argue that what is of relevance here is not just the demand-supply imbalance for wheat but the deficit of all foodgrains because the latter might also exert pressure on wheat prices. However, the declining trend is clearly visible in respect of the imports and public distribution of all foodgrains also (Table 3); on the other hand, the quantum of procurement has risen very rapidly. The APC has this to say on the question: "There is an obvious oddity in the situation in which prices undergo a spurt in the face of increasing production and mounting stocks of the cereal. That the producers have benefited from the wheat revolution is only as it should have been. But there must come a stage when the benefit starts percolating to the consumer too".⁸ The post-1968 period also stands in marked contrast with 1953-54 to 1956-57 which was also characterised by production increases, minimal imports and low stress on the public distribution apparatus (Table 2); the earlier period (1953-57) was governed

TABLE 5 : VALUES OF THE DUMMY VARIABLES

	S_t	L_t	D_t
1951-52	1	0	0
1952-53	1	0	0
1953-54	1	0	0
1954-55	1	0	0
1955-56	0	0	0
1956-57	0	0	0
1957-58	0	1	0
1958-59	0	1	0
1959-60	0	1	0
1960-61	0	1	0
1961-62	0	0	0
1962-63	0	0	0
1963-64	0	0	0
1964-65	0	1	0
1965-66	0	1	0
1966-67	0	1	0
1967-68	1	0	1
1968-69	0	1	1
1969-70	0	1	1
1970-71	0	0	1
1971-72	0	0	1

Note: The zoning system that prevailed in 1959 and 1960 was officially described as single state system but since freedom of movement of Punjabi wheat to Himachal Pradesh and Delhi was allowed we have re-designated the two years to correspond to the large-zone set up. The information on which this Table is based is collected from the APC reports.

by the government might thus be a better indicator of shortage.

Table 4 gives some simple correlations between all-India wheat prices and the 'proxies' discussed above. We have accordingly chosen to work with the quantum of public distribution of all foodgrains to serve as a 'proxy' for excess demand (of all foodgrains) to explain variation in wheat prices.

Our next step is to assume that movement restrictions simply shift the price curve (i.e., price plotted against excess demand) parallel to itself (either upwards or downwards). However, broadly speaking, two kinds of zoning systems have been in force, viz., single state zones and larger zones. Under the latter, movement is relatively freer than under the former because of the presence of more than one state in a large zone and it is reasonable to expect *a priori* that the magnitude of the

TABLE 6 : ESTIMATED PRICE EQUATIONS : ALL-INDIA, 1951-52 TO 1971-72

Dependent Variable	Constant	Least Square Estimate of Co-efficient of				R^2
		I	D	L	S	
Annual average price	68.87	6.03 (0.65)	64.54 (4.91)	1.84 (4.39)	-12.54 (4.72)	0.976
Harvest price	68.15	4.69 (0.59)	66.70 (4.81)	1.27 (4.30)	-5.01 (4.63)	0.973
Off-seasonal price	84.23	7.40 (1.04)	56.61 (8.53)	-0.01 (7.39)	-23.33 (8.50)	0.937

Note: Numbers in parentheses are standard errors of the co-efficients.

shift corresponding to the single state system would be higher than the shift due to the large zone system. This presents no difficulty in the analysis because the two systems are mutually exclusive and we merely introduce two 'shifter' (dummy) variables: L_t which takes the value 1 for those years when the large zoning system was in force and 0 for the rest of the years and similarly S_t which assumes the value 1 for the years corresponding to the single state zones and 0 otherwise. (These values are given in Table 5.)

Our final step is to hypothesise that the procurement-cum-support operation also simply shifts the price curve parallel to itself; the fact that the procurement prices for common white and Mexican varieties of wheat have remained practically stable at Rs 76 per quintal (Table 1) since 1967 supports such a hypothesis. We have identified the period 1967-68 to 1971-72 as the period corresponding to support operations. It is explained earlier why the procurement price during 1968-72 should be regarded as a support price. The inclusion of 1967-68, a marketing year corresponding to a poor crop, in this period is dictated by the fact that high procurement prices were offered, particularly in UP (Table 1). We thus introduce a dummy variable D_t which takes the value 1 for the years corresponding to the support operation and 0 otherwise. (These values are given in Table 5.)

Based on the discussion of the preceding paragraphs we finally arrive at the following price equation

$p_t = a + b_1 I_t + b_2 D_t + b_3 L_t + b_4 S_t$ where p_t is the annual average all-India price in the year t , I_t = quantity of foodgrains (in million tonnes) operated through the public distribution system and D_t , L_t and S_t are dummy variables corresponding to support operations, large zoning and single zoning, respectively (Table 5).

We also assume that the same set of variables, viz, I , D , L and S determine the harvest prices (average of prices prevailing in April-June) and also the off-seasonal price (average of prices during January-March). While the use of proxy I might be justified, despite its crudity, for explaining variations in annual and year-end prices, its use for harvest prices might be objected to on the ground that excess demand gets determined only at the end of the year. But, if we assume that expectations on the level of the deficit determine harvest prices and that such expectations in the beginning of the year are well

TABLE 7 : SEASONAL PATTERN OF MARKET ARRIVALS OF WHEAT—ALL-INDIA

Year	Number of Markets	Proportion of Arrivals (Per Cent) in			
		April-June	July-Sept	Oct-Dec	Jan-March
1958-59	31	56.1	19.1	13.4	11.3
1959-60	31	45.1	22.4	16.1	16.4
1960-61	60	48.3	14.6	15.6	21.5
1961-62	60	51.2	17.1	16.4	15.3
1962-63	60	54.8	14.8	11.2	19.2
1963-64	60	63.6	8.8	15.6	11.9
1964-65	60	52.2	18.7	14.4	14.7
1965-66	317	53.5	15.8	14.4	16.3
1966-67	317	56.6	15.9	16.2	11.3
1967-68	558	48.4	19.7	16.3	15.6
1968-69	558	67.2	17.9	7.8	7.1
1969-70	558	75.4	12.2	7.7	4.7
1970-71	558	67.8	19.8	7.5	4.9

Source : Same as in Table 2.

TABLE 8 : WHOLESALE PRICE OF WHEAT : PUNJAB-HARYANA AND UTTAR PRADESH (Rs per quintal)

	Punjab Haryana			Uttar Pradesh		
	April-June	Jan-March	Annual Average	April-June	Jan-March	Annual Average
1952-53	33.9	34.8	34.5	45.5	55.1	50.9
1953-54	34.8	42.9	38.0	49.3	42.6	44.6
1954-55	36.9	35.1	35.7	36.2	32.1	33.1
1955-56	32.7	40.8	35.1	30.5	37.0	32.3
1956-57	40.8	44.1	41.6	36.5	42.9	39.6
1957-58	41.1	37.9	39.2	41.9	41.3	41.4
1958-59	36.8	56.8	45.2	44.5	61.6	55.2
1959-60	41.9	42.5	41.9	45.6	47.0	47.0
1960-61	38.1	41.0	40.0	43.2	44.1	43.7
1961-62	40.3	48.2	43.2	38.9	43.7	40.9
1962-63	43.8	41.7	42.8	38.1	39.5	38.5
1963-64	40.7	58.9	47.5	38.3	57.3	46.0
1964-65	47.1	64.2	55.0	56.7	91.3	79.7
1965-66	57.3	58.3	58.1	70.7	76.9	77.2
1966-67	64.3	93.7	75.8	70.0	103.9	85.1
1967-68	83.7	76.1	80.3	120.6	97.5	113.1
1968-69	75.7	92.8	85.6	74.1	82.0	77.4
1969-70	80.9	95.9	86.7	78.7	100.9	88.1
1970-71	83.2	84.1	83.0	81.8	84.7	83.2
1971-72	80.4	91.0	85.8	73.7	86.5	77.3

Source : Same as in Table 2.

Note : These are simple averages of prices for the following markets (the quality of wheat is mentioned in brackets).

Punjab-Haryana :	1952-53 to 1966-67 : Abohar (Dara) and Moga (Farm); 1967-68 : Sonapat, Rohtak, Moga and Bhatinda (Indigenous White, all markets)
	1968-69 : Sonapat, Ambala, Moga and Bhatinda (all White)
	1969-70 to 71-72: Sonapat, Ambala Jullundur and Bhatinda (all White)
Uttar Pradesh :	1952-53 to 1963-64: Hapur and Bahraich (quality unspecified)
	1963-64 to 1966-67: Hapur (Dara) and Bahraich (White)
	1967-68 to 1971-72: Hapur and Bahraich (both White).

founded, the objection is at least partly met with. We have tried the alternative of using lagged production but the results are not satisfactory. The estimated price equations are given in Table 6.

For the purpose of this estimation we had converted the entire price series to the common base 1952-53 = 100 (this meant conversion of the series after 1961-62 to the old base) and hence all the following reckoning of the prices is in index terms with 1952-53 = 100. The results are interesting. The vari-

ables we have considered account for almost the entire variation in the harvest and annual average price and only to a slightly smaller extent in off-seasonal prices. Shortages (as measured by I) have a greater impact on the off-seasonal price than on the harvest price, which is only to be expected. The impact of support operations (measured by the dummy D) on the harvest price (67 points) is greater than the impact on off-seasonal price (57 points). Thus, other things remaining unchanged, the support operation

TABLE 9 : PACE OF MARKET ARRIVALS : PUNJAB-HARYANA AND UP (Per Cent)

Year	Punjab Haryana				Uttar Pradesh			
	April-June	July-Sept	Oct-Dec	Jan-March	April-June	July-Sept	Oct-Dec	Jan-March
1958-59	62.6	20.6	12.7	4.1	62.9	17.3	11.9	7.8
1959-60	47.8	23.5	15.1	13.5	44.3	13.8	20.1	21.8
1960-61	60.7	17.6	9.1	12.6	37.8	19.6	26.0	16.5
1961-62	52.5	22.3	15.6	9.6	54.1	14.9	14.5	16.5
1962-63	55.1	18.8	14.8	11.2	46.0	17.7	16.8	19.4
1963-64	59.9	23.4	11.6	5.2	60.2	13.7	16.8	9.3
1964-65	50.3	24.9	13.6	11.2	60.2	15.3	12.6	11.9
1965-66	71.1	17.4	7.6	3.8	41.9	16.1	25.2	16.8
1966-67	62.9	19.3	10.5	7.3	43.6	14.9	18.3	23.1
1967-68	48.2	21.3	16.7	13.8	49.4	17.3	16.2	17.1
1968-69	77.8	16.3	3.6	2.3	49.5	22.2	15.2	13.1
1969-70	82.7	10.6	5.0	1.7	57.5	17.1	14.7	10.7
1970-71	75.7	19.1	3.6	1.6	47.6	24.5	17.2	10.7
1971-72	76.5	14.8	6.3	2.3	51.4	28.6	13.6	6.4

Source : Same as in Table 2.

seasonal price—harvest price) by 10 points and contributes significantly to intra-year price stability. Large zones make no significant impact on prices; single state zoning reduces the off-seasonal price by 23 points and the annual average by 12 points while it makes no significant contribution to harvest price variations (the annual average is not very different from the average of the two seasonal prices we have considered here). Hence the single state zoning system also has a tendency to reduce seasonal variation and bring about intra-year price stability. (Of course, this is in a way a restatement of the data for 1951-54, the period of single-state zones, which exhibit very little seasonal variation—Table 2.) But the fact is of no moment for the period 1968-72 during which there were either no zones or there were only the larger zones which are now demonstrated to be ineffective. The contrast between 1953-57 and 1968-72 with respect to price behaviour is now easily explained: in the first there was no significant support-cum-procurement drive and stiff zonal restrictions were present in 1953-54 and 1954-55 while the later period was characterised by both support and the virtual absence of movement restrictions; these facts explain the declining trend of 1953-57 and absence of such a trend during 1968-72.

And since the support policy enhances harvest price more than the off-seasonal price and on the other hand, the absence of zones implies a normal seasonal rise (which their presence might well neutralise) the two factors might combine to produce a measure of seasonal stability. Hence, the policy of relaxation of movement restrictions in good years must be interpreted as a deliberate policy to keep price at a high and fairly stable level throughout

TABLE 10 : PROCUREMENT OF WHEAT (Thousand Tonnes)

State	Marketing Season (April-March)				
	1967-68	1968-69	1969-70	1970-71	1971-72
Haryana	49	214	271	482	710
Punjab	503	1358	1873	2369	2938
UP	156	516	199	322	1144
Rest of India	107	185	42	19	308
Total	815	2273	2385	3192	5100

Source : Reports of the Agricultural Prices Commission.

the year. We must also remember that the normal seasonal rise that can be attributed to market forces (i.e., excess demand) gradually decreases with rising production. This, of course, eminently suits the large farmers because they need not wait for the seasonal rise till the end of the year but instead can dump practically all their surpluses in the harvest season thus saving on storage costs in the bargain. The expected result on the pace of market arrivals is to be found in the actual data (Table 7).

Turning back to the computed price equations we now wish to see if the seasonal pattern of market arrivals influences the seasonality in prices. For this purpose, strictly speaking, one must look at the seasonality in both these variables in all the four quarters but in this study we have concentrated on just the harvest and lean seasons. We simply used the proportion of arrivals in a season as an additional variable to see what difference it makes to the equations of Table 6. Market arrivals information is available only from 1958-59. After this year, excepting for 1967-68 when single-state zoning was in force, there were either large zones or no zones at all. And, since large zones are ineffective we finally used I , D and the rate of arrivals (A) to explain variation in seasonal prices with the data for 1958-59 to

1970-71 except 1967-68.¹⁰

These are the estimated equations (omitting the suffix 't') based on the 12 observations:

$$(a) p_h = \text{harvest price} = 76.63 \\ - 0.21 A_h + 5.24 I + 67.94 D \\ (0.43) \quad (0.71) \quad (8.7) \\ R^2 = 0.977$$

$$(b) p_o = \text{off-seasonal price} = 133.72 \\ - 3.52 A_o + 7.92 I + 21.44 D \\ (0.83) \quad (0.85) \quad (9.36) \\ R^2 = 0.978$$

where A_h and A_o denote the proportion of arrivals in the harvest and off-seasons respectively.

It can be seen that the arrival rates do not influence the harvest prices but they have a significant impact on the prices in the lean season. Although these equations are estimated on the basis of fewer observations the proportion of variation explained in (b) is very much higher than in the previous case (Table 6) lending credibility to the estimates. Except for the co-efficient of D in (b) there is close agreement with the earlier estimates. Equation (b) implies a much smaller impact (21 points) of support policies on p_o than the earlier estimates (57 points).

This is essentially because in the earlier estimate the price increase is mostly attributed to D while, as it is clear now, at least part of it should be attributed to the slackening of year-end arrivals.

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TABLE 11 : ESTIMATED PRICE EQUATIONS—PUNJAB-HARYANA

Dependent Variable (price) No	Estimated Co-efficients of						Constant	R ²	Period of Study
	I	D	L	S	A _h	A _o			
(1) Annual	2.68 (0.37)	27.07 (2.84)	-2.09 (2.44)	-11.40 (2.80)			33.77	0.964	1952-53 to 1971-72
(2) Harvest	2.24 (0.36)	28.36 (2.80)	-3.04 (2.40)	-7.51 (2.76)			32.93	0.961	-do-
(3) Off-seasonal	3.31 (0.76)	23.44 (5.80)	-2.97 (5.02)	16.46 (5.71)			42.14	0.872	-do-
(4) Harvest	2.13 (0.99)	21.68 (9.45)			0.08 (0.42)		38.82	0.808	1958-59 to 1971-72 except 1967-68
(5) Off-seasonal	3.69 0.78	18.76 6.72				-1.10 0.74	40.97	0.906	

Note : In the Table A_h and A_o stand for per cent of arrivals in Punjab-Haryana in the harvest and off-seasonal periods, respectively.

However we have already remarked that the arrival rate itself is determined by state policies. If this inter-dependence is taken into account in an appropriate manner much of this estimation difficulty will disappear. But it must be noted that the present set of equations, (a) and (b), only strengthen the conclusion arrived at earlier that support policies reduce the seasonal rise by raising the harvest price higher than they raise the off-seasonal price. However, they also imply a smaller impact (rise of 44 points) of support operations on the annual average price than estimated earlier (rise of 64 points).

IV

Inter-State Variations

So far we have been discussing the behaviour of the all-India average price. We now examine prices in the Punjab-Haryana region and Uttar Pradesh. Since price indices are not available we have estimated prices for these regions based on whatever little market information is available (Table 8). These estimates are not strictly comparable over time and we must bear this important limitation in mind in what follows. Data on pace of market arrivals in the two regions are given in Table 9. The change in the pattern of arrivals since 1968 can be seen to be more marked in the Punjab-Haryana region than in UP.

Now, the bulk of the grain is procured in these two regions (Table 10) and we can reasonably expect the influence of support prices to be reflected in fair measure in the prices prevailing there. But UP's contribution appears to be marginal, except in 1968-69 and 1971-72. In any case, we have decided to work on the hypothesis that 1967-72 was governed by a regime of support prices for both the regions. Since Punjab-Haryana has always been a surplus region we have used the same set

of variables, viz, I, L, D and S, as in the case of all-India to explain price variations. The underlying assumption is that the all-India excess demand determines the Punjab price. Besides we have also tried to see if the arrival pattern influences the seasonal prices. The results follow (Table 11).

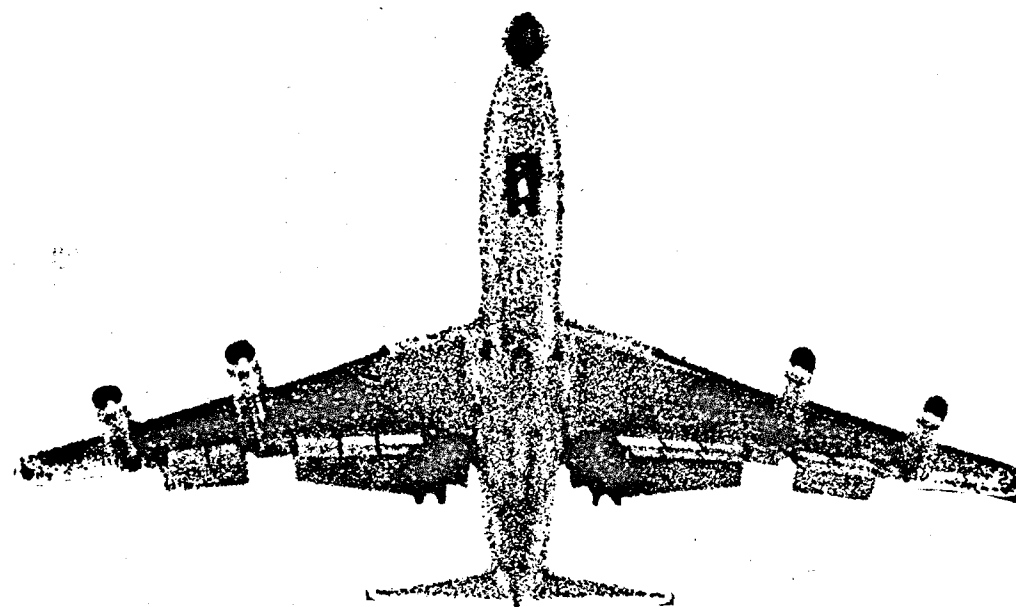
The results are strikingly similar to the all-India ones. Since this analysis was done with wholesale prices in Rs per quintal a comparison can be made with the co-efficients in Table 6 (which are in index terms with 1952-53 = 100) by multiplying the co-efficients of Table 11 by a factor 100 ÷ 34.5, this latter being the average Punjab price in 1952-53. It can be seen that support operations raise the annual average Punjab-Haryana prices by about 80 points while raising all-India prices by only 65 points (or 44 points if we were to go by an alternative estimate). Similar relations hold between Punjab and all-India in respect of seasonal prices. As in the case of all-India, large zones have no significant impact on prices; single state zoning has a far greater impact (a reduction by 33 points) on annual prices of the Punjab region than on all-India average prices (a reduction of 12 points). All these conform to expectations but the implication of these facts to interregional inequalities cannot be overemphasised: relaxation of zonal restrictions in good years has a similarity with the policy of support — both favour the farmers of Punjab-Haryana more than the others. We have already discussed the influence of these policies on seasonal stability in prices and the rate of market arrivals. In recent years, in the Punjab-Haryana region market arrivals in the lean season (January-March) barely constituted 2 per cent of the year's total (Table 9); the Punjabi farmer is able to unload as much as 75 per cent of his surplus in the post harvest period at — thanks to

the government — what might be euphemistically described as an incentive price.

Our Punjab analysis has highlighted how policy measures contribute to the enhancement of interregional inequalities. We shall examine how far the UP data support this conclusion. For analysing UP prices we have used net imports of wheat into UP (i) by rail and river¹² as a proxy for excess demand. This is not very satisfactory because of possible year-to-year variation in the proportion of grain moved by road but, perhaps, is the best choice from the available data. Also, the zoning status for UP is different from the all-India pattern in one important respect: under the large-zone system UP continued to constitute a zone by itself in all but one of the years (1966-67) when this system was in force. In 1966-67 UP was merged with the northern wheat zone.¹¹ Since large zones are ineffective we have introduced one single dummy for zoning, Z, which assumes the value 1 for 1953-54, 1954-55, 1957-58 to 1960-61, 1964-65, 1965-66, 1967-68 and 1968-69 and 0 for the rest of period. (Our analysis of UP is restricted to the period 1953-54 to 1969-70 for want of data on UP's imports for the other years.) The results of the analysis will be found in Table 12.

To make these co-efficients comparable with those in Table 6 we must convert these into index terms with 1952-53 = 100; since average price in 1952-53 in UP was Rs 50.9 per quintal this implies multiplication of the entries in Table 12 by approximately 2.

The results present a mixed picture partly because of the unsatisfactory nature of i (imports into UP by rail and river) as an indicator of shortage. However, some tentative conclusions can be drawn. Support operations raise average annual prices by about 40 points in contrast to a similar rise



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TABLE 12: ESTIMATED PRICE EQUATIONS—UTTAR PRADESH

Dependent Variable (Price)	Constant	Co-efficient of					R ²	Period of Study
		i	D	Z	A _h	A _o		
Annual	35.00	22.32 (8.69)	20.70 (12.73)	10.27 (7.71)			0.672	1953-54 to 1969-70
Harvest	34.76	11.45 (8.04)	33.65 (11.52)	10.75 (7.13)			0.692	-do-
Off-seasonal	38.22	31.24 (9.18)	9.37 (13.56)	5.15 (6.16)			0.668	-do-
Harvest	106.16	5.65 (6.12)	38.29 (7.21)	4.71 (5.15)	-1.23 (0.31)		0.912	1953-59 to 1969-70
Off-seasonal	88.77	25.63 (8.03)				-2.54 (0.91)	0.725	-do-

Note: A_h and A_o represent arrival rates in UP in the harvest and off-seasonal periods.

in the Punjab-Haryana region by 80 points. The policy of support appears to raise the harvest prices and leave the off-seasonal prices undisturbed at their normal levels. This could be a reason why in UP market arrivals in the lean season have not slackened off to such a great extent as in Punjab-Haryana (Table 9).

None of the co-efficients of Z are significant at the 5 per cent level but the one in respect of harvest prices is significant at the 10 per cent level. If at all anything is implied in this it is that zoning raises harvest prices in UP which may indeed be true.

All these are factors that promote inter-state inequalities. Relaxation of movement restrictions is a policy that favours the farmers of Punjab but not of UP, while support prices favour farmers everywhere but they favour the Punjabi farmer more than the others.

It is possible now to use our estimated equations to evaluate the net effect of various combinations of support and zoning policies on the trend and seasonal variation in Punjab-Haryana as well as UP. However, we shall restrict ourselves to just two alternative policies and evaluate their implications for the period 1968-72. The two policies are: support combined with unfettered movement, the actual policy that prevailed during this period, which we shall call policy A; and the policy of withdrawing support combined with the single-state zoning system everywhere, which we shall call policy B. Now, it is obvious that policy B will bring down prices; in particular for the period 1968-72 this policy would have seen prices dropping to the floor levels — or the currently notional support prices — which would have enabled the government to procure large quantities of grain at these depressed price levels. For evaluating policy B it would thus be

necessary to bring in such considerations as support prices that would cover costs and normal profits. We are not attempting this here but merely using our equations which are based on the working of the single-state zoning system of the early fifties and hence our estimates corresponding to policy B would merely reflect the 1951-55 pattern so far as the impact of zoning is concerned, without reference to the rational concomitants of the policy like, for example, a properly planned regional allocation of the procured grain. However, for what they are worth, we give these estimates (Tables 13 and 14).

For Punjab we have computed harvest prices on the basis of the second equation in Table 11. We give two sets of estimates of off-seasonal prices, (1) and (2), based respectively on equations 3 and 5 of Table 11. The latter of these has A_o as one of the variables. We have already argued that the arrival pattern itself is influenced by policy measures. Hence, for estimation in (2) we assumed that the lean season arrivals (A_o) will increase to 5 per cent (in contrast to the current 2 per cent) under the regime determined by policy B. The prices in the second set of estimates are higher than in the first because of this smallness of A_o. Under policy B we can reasonably expect harvest arrivals to

diminish very significantly from their current high levels (75 per cent); taking this fact into account we must regard the second set of prices as being on the high side. We have estimated UP prices corresponding to policy B for the years 1968-69 and 1969-70 only because of the lack of information on i (import into UP by rail and river) for the later years. These estimates are based on the equations in Table 12. For harvest prices the first set (1) is based on equation 2 and the second (2) on equation 4 with the additional assumption that A_h will be 50 per cent under policy B. The first set (1) of estimates of off-seasonal prices are based on equation 3 and the second set on equation 5 where we assumed that A_o = 15 per cent (as against the actual 13.7 per cent and 10.7 per cent for 1968-69 and 1969-70, respectively).

Our estimates of actual prices for both the regions, for the period 1968-72, are all fortunately based on prices for indigenous white wheat and this, we hope, validates their comparison. It will be seen that actual prices (i.e., those corresponding to policy A) in UP were lower than their corresponding levels in Punjab-Haryana (except in respect of the off-seasonal price in 1960-70). It will also be found that policy B will not only reverse this relation but also

TABLE 13: PRICES UNDER ALTERNATIVE POLICIES—PUNJAB HARYANA

Year	(Rs per quintal)				
	Actual prices (Policy A)		Policy B		
	Harvest	Off-Season	Harvest	Off-Season	
				(1)	(2)
1968-69	75.7	92.8	48.1	59.2	72.9
1969-70	80.9	95.9	46.6	59.0	70.3
1970-71	83.2	84.1	45.3	55.4	67.5
1971-72	80.4	91.0	42.7	51.2	63.9

lower prices everywhere and give rise to declining trends in Punjab in keeping with the rapid increase in production. Since UP has continued to be a net importer even in recent years it is easy to see why policy B will bring in such a change in relative prices and equally easy to see policy A as an instrument responsible for increasing inter-state disparities.

V

Intra-State Inequalities

Recalling that market prices are determined by the combination of the three factors, excess demand, support prices and zoning policies, we may now examine the nature of the contribution of each of these to the fortunes of different rural classes. For this purpose we need to remember the following facts: (a) the choice between selling during the harvest season and holding on to sell later for a price advantage exists to a significant degree only for the large farmers (loosely speaking, the holding power increases with farm size); (b) a phenomenon related to (a) is that market dependence also declines with farm size. At the bottom is the landless labourer who is almost entirely dependent on the market for his consumption needs.¹³

Now, an increase in excess demand enhances both the average price and the seasonal rise, i.e., the increase in the lean season price over the harvest price (Table 6). Given the pattern of selling and buying determined by (a) and (b) above, it is obvious that small farmers and labourers are much better off when production rises faster than demand. The tendency of unfettered grain movement to dampen seasonal variation is a factor favourable to small farmers and landless labourers so far as their buying is concerned, but this same factor gives a very big advantage to the large farmers in their selling operations. But the kingpin is the support scheme which raises prices all round the year by an amount which wipes off any marginal advantage that small farmers and labourers may derive from the other two factors, particularly from a rapidly rising production. Table 15 illustrates the operation of policies A and B on all-India prices.

A superimposition of these two sets of prices on (a) and (b) will yield information on the impact of policies on inequalities between different classes of farmers. Despite the absence of detailed data on (a) and (b) we can see

TABLE 14 : PRICES UNDER ALTERNATIVE POLICIES—UP

Year	Actual Prices (Policy A)		Policy B			
	Harvest	Off-Season	Harvest		Off-Season	
			(1)	(2)	(1)	(2)
1968-69	74.1	82.0	53.5	53.5	65.2	68.6
1969-70	78.7	100.9	72.9	63.0	118.3	112.2
1970-71	81.8	84.7				
1971-72	73.1	86.5				

TABLE 15 : ALL-INDIA PRICES UNDER POLICIES A AND B* (1952-53 = 100)

Year	Actual Prices (Policy A)		Policy B	
	Harvest	Off-Seasonal	Harvest	Off-Seasonal
1968-69	174	191	111	136
1969-70	179	211	108	131
1970-71	185	190	106	127
1972-72	181	197	99	118

* Computed on the basis of the equations of Table 6.

that policy A tilts the income distribution in favour of sellers while the low prices corresponding to B give immense relief to all the rural poor.

VI

Concluding Remarks

The events of this summer (1973) following the take-over of the wholesale trade in wheat confirm our main finding that prices are made to behave as they do. A good harvest of wheat succeeding a poor kharif season has created the right atmosphere for securing price increases. The procurement price of Rs 76 per quintal made no impression on the farmers and all the well known devices for enhancing the price are already at work: bonus schemes, subsidies for inputs and so on. The APC has also fallen in line, recommending an increase in the procurement price of paddy for the coming kharif season and the chief ministers have accepted this subject to the proviso that "these would be support prices and not procurement prices."¹⁴ And "the implication of this decision is that the government will have freedom to offer a higher price to the growers, if market conditions necessitated, to fulfil procurement targets".¹⁵

We have been arguing so far that price policy has been designed mainly to protect the interests of the large farmer and that this form of intervention contributes to the worsening of both inter-state and intra-state inequalities. Given a highly skewed land distribution and the resulting concentration of mar-

keted surplus in the hands of the big farmers it is obvious that any upward movement of the price level combined with seasonal stability will have adverse effects on the income distribution. In the context of this argument it is, however, necessary to examine the relationship between cost and price. Another related question is that of price incentives. Both these issues require detailed study and a beginning can be made by raising the question of how actual cost of production compares with, say, a procurement price of Rs 76 per quintal.

Unfortunately, even the APC has not gone into the question of costs in detail: the Commission mainly looks at the increase in the price of some inputs to determine the warranted increase in the procurement price leaving aside the more important question relating to the level of prices. While lack of suitable data could be one reason for this, other difficulties are also likely to arise in the estimation of costs: for example, how does one treat family labour? These questions are being examined and the results will be reported separately.

[An earlier version of this paper was presented at the seminar on Political Economy of Indian Agriculture at Calcutta in March 1973. The author is grateful to Shri K Gurumurthy of the APC for making available a number of APC reports. Thanks are due to Nirmal Chandra, T N Krishnan, Ashok Mitra and K N Raj for useful discussions.]

Notes

- 1 Appendix to Report of the Agricultural Prices Commission (APC) on

- the price policy of Kharif Cereals for 1965-66 season, p 47.
- Ibid*, p 47.
- Report of the APC on minimum prices for Wheat and Gram for the 1968-69 crop.
- "Procurement without Tears", *Economic and Political Weekly*, December 9, 1972.
- "Rice Zone Policy: A Note of Dissent" by Raj Krishna, Report of the APC on the price policy of kharif cereals for 1965-66 season.
- Table 7, Report of the APC on price policy for rabi foodgrains for 1968-69 season, p 19. For 1967 onwards, information on these changes is available in *Bulletin of Food Statistics* (various issues).

- Report of the APC on price policy for rabi foodgrains for 1968-69 season, p 4, and a similar report for 1970-71 season, p 8.
- Report of the APC on the price policy for rabi foodgrains for the 1972-73 season, mimeo, p 8.
- The information on zoning policies is collected from the reference quoted in (6) above upto 1967 (p 19) and various issues of *Bulletin of Food Statistics* thereafter.
- We could have retained 1967-68 but then the estimate of the impact of single zoning will be measured on the basis of just one observation.
- All this information is collected

- from sources mentioned in 9 above.
- UP's imports of wheat by rail and river, collected from the *Bulletin of Food Statistics*, are from 1953-54 to 1969-70 in succession 0.12, -0.11, -0.15, 0.16, 0.33, 0.45, 0.52, 0.68; 0.34, 0.30, 0.65, 0.89, 0.69, 1.02, 0.98, 0.70 and 2.39 (all in million tonnes).
- Statistics relating to market dependence of rural households for food-grain requirement in respect of a few states, based on NSS data, will be found in Report of the APC on price policy for kharif cereals for the 1968-69 season, pp 49-50.
- The Hindu*, June 15, 1973.
- Ibid*.

Economics of Irrigation Engineers

Deepak Lal

The Irrigation Commission's report, while providing ample evidence of the importance of irrigation in India's past and future economic performance, contains fundamental and elementary errors of economic analysis which should make an undergraduate blush. The economics of irrigation is an important, sophisticated and technical subject and, in attempting to tackle a subject outside its competence, the Commission has made a terrible mistake. It is imperative, therefore, that the Commission's chapters on the economics of irrigation be set aside and a commission of economists be appointed to determine the economic criteria for designing, selecting, running and financing irrigation projects.

IF any proof were needed, the Irrigation Commission (1972)'s report now provides enough justification for the view that irrigation policy is too important to be left to irrigation engineers, and in particular to the Ministry of Irrigation and Power. For the Commission report (written mainly, I presume, by irrigation engineers) whilst providing ample evidence for the importance of irrigation in India's past and future economic performance, also contains enough fundamental and elementary errors of economic analysis which should make an undergraduate blush, and if it didn't, would certainly lead to his failure! To avoid a similar fate for the much more important future of India, it is imperative that the Commission's chapters on the economics of irrigation be set aside and an economists' commission be appointed *post haste*, to determine the economic criteria for designing, selecting, running and financing irrigation projects. The rest of this paper will substantiate these harsh conclusions.

IMPORTANCE OF IRRIGATION

"The Commission estimates the total irrigation potential of the country, both from surface and ground water resources... as of the order of 81 million hectares. This would provide irrigation facilities to about 50 per cent of

the total cropped area" (para 19.38) "...the massive investment of Rs 21,300 million made since 1947 on irrigation works, and the very large programme recommended by us... which is likely to cost Rs 100,000 million..." (para 11.80)

"The hard-core areas of drought comprise about 16 per cent of the total geographical area of the country and account for over 11 per cent of its population. At present, about 13 per cent of the cropped area of the drought affected region is irrigated. This is likely to rise to about 19 per cent when the schemes under execution are completed. In the drought areas of Madhya Pradesh, Mysore, Maharashtra, and Gujarat, where the present level of irrigation is lower than 13 per cent, the position may be worse. The extent of the area irrigated in the drought districts is not likely to go above 25 per cent of the cropped area when all the works proposed by the states for these areas are completed" (para 19.31).

"The food and fibre requirements at the end of the century will... increase by about 100 per cent... The country must, at the very least, produce twice its present output of food and fibre. This increase is possible if more areas are brought under irrigation" (para 19.35).

The above quotations from the Commission's report underline the importance of irrigation, and also underline the scarcity of irrigation water, whose allocation between uses and users will thus have significant welfare effects. The Commission is also right in stressing the integrated use and development of surface and ground water resources (para 19.14), and the need for irrigation policies which take account of both efficiency and equity, and which moreover are formulated within a new administrative framework of river basin authorities (paras 19.10 and 19.52). It is when it tries to provide guidelines for these policies that it falls flat on its face!

INVESTMENT CRITERIA

The Commission recommends the use of a benefit-cost ratio for selecting irrigation projects. In comparing it with the rate of return criterion it states:

"In the benefit-cost ratio, the benefit represents the total gains accruing from a project, and the cost represents the expenditure involved in producing them, all in terms of current values. The rate of return deals with a different aspect, as it connotes a ratio between the current annual net benefits from a project and the capital investment on the project. The *inter se* ranking of two projects can be different with these

two criteria. The rate of return method, which is more complicated than the simplified benefit-cost ratio, is more suited as a basis for making a choice between two investments and *where financial return is the dominant consideration and no constraints are imposed by national goals*. Of these two criteria, we recommend the continued use of the benefit-cost ratio for irrigation projects" (para 11.7, emphasis added).

More seriously, the Commission states: "In working out the ratio [benefit-cost], the benefit should be taken to comprise the difference in the value of total annual agricultural production less the cost of cultivation, before and after the introduction of irrigation. The cost should be taken to comprise the annual interest on capital, depreciation, and expenditure on maintenance and operation" (para 11.5). In para 11.17, the "Benefit-cost ratio = Net annual benefit/annual cost".

However, it is well known that the benefit-cost ratio thus defined is not a correct investment criterion to use for either private or public investment. The correct criterion to use is the present value or internal rate of return criterion (taking account of possibilities of terminating the project) [See Feldstein and Flemming, Arrow and Lehari]. Moreover as Prest and Turvey point out: "Where a rule which is not algebraically equivalent to the present value approach is used, the issue is not one of convenience, but involves either error or a different maximand" (p 97).

A benefit-cost ratio which is algebraically equivalent to the present value rule can be derived, and this would be given by the ratio of the present value of the benefits to the present value of the costs. However, this ratio will only give the same investment decisions as the present value/internal rate of return criteria if "no projects are interdependent or mutually exclusive, where starting dates are given and where no constraints are operative" (Prest and Turvey, p 96). Thus if there are two mutually exclusive projects (e.g. whether a large or a small dam should be built on a particular site), one project may have the lower cost-benefit ratio, and yet may be better if the *extra* benefits are greater than the *extra* costs (See McKean). The other complications, too, can only be dealt with within a present value framework [Marglin(a), (b)].

Given that there is now a large and sophisticated literature on cost-benefit analysis, and much of it developed

specifically for the design and evaluation of water-resource systems (See Mass, *et al*, Eckstein, Marglin) the naivete of the Commission's discussion of investment criteria is surely unforgivable.

MEASUREMENT OF SOCIAL BENEFITS

In para 11.17, the Commission gives a proforma for calculating the benefit-cost ratio. Both benefits and costs are to be calculated at market prices. There is a sufficiently large literature which shows that particularly in developing countries with their distortions in factor and commodity markets, market prices are not good measures of social value, and hence it is necessary to use 'shadow' or accounting prices (See Little-Mirrlees, UNIDO). Moreover, there have been attempts at evaluating Indian irrigation projects at shadow prices (See Raj, Lal, Lal and Duane).

Even if market prices did represent social values, there is no justification for the Commission's recommendation that "share and cash rent" be included as social costs in the calculation of the net annual benefit of an irrigation project (para 11.17, items A (b), 6 and 7). These items represent transfer payments, and whilst there may be a case for putting distributional weights on these items, they do not represent a cost to society, though they obviously do to the private cultivator. Thus the measure of benefits which the Commission recommends is clearly just the *private* annual net benefit, and not (as it should be) the *social* net benefits of the project.

UNCERTAINTY, DISCOUNT RATES, AND INCOME DISTRIBUTION

Compounding its previous errors, the Commission also states: "We are informed that projects with a benefit-cost ratio of less than 1.5 are generally not considered for acceptance, although theoretically a ratio of unity should meet the criterion. We consider this to be a prudent precaution. We have come across several instances where project costs have increased twofold or even more while the rise in commodity prices has been much less. A lower benefit-cost ratio than 1.5 would in these circumstances, lead to the acceptance of marginal projects which may later prove to be economically unsound" (para 11.10).

There is no justification for this recommendation. For public investments (as Arrow and Lind have shown), given the opportunities open to society for spreading and pooling risks, any uncer-

tainty should be taken account of by delineating the various possible outcomes of the relevant variables, assigning probabilities to these outcomes (here past experience with other projects can be a help), and obtaining the *expected* present value of the project, by multiplying each possible outcome by its probability of occurrence, and summing over all possible outcomes. If the risks cannot be spread, this risk neutral criterion would not be valid, and then it will be necessary to adopt an expected utility framework, in which the risk aversion of those bearing the risks will need to be taken into account. However, in both cases the rule of thumb recommended by the Commission would be wrong. (For an attempt to take account of some of the uncertainty associated with minor irrigation in Maharashtra see Lal).

Equally arbitrary is the recommendation for using a 10 per cent interest rate (which would presumably be the discount rate in present value calculations) in calculating the benefit-cost ratio (see para 11.9 of the report). The choice of the correct discount rate is a complex one depending upon the choice of numeraire (present consumption or savings), and the existence of absence of an overall savings constraint, which depends on the social value judgments concerning the value attached to aggregate consumption at different dates, and the present and future productivity of investment (see Little-Mirrlees, UNIDO). The naive treatment of this extremely important parameter in investment planning in the Commission's report will just not do. (For an attempt to estimate a discount rate and the associated intertemporal parameters for India, see Appendix II, in Lal.)

Finally, there is the sketchy and naive treatment of the important issue of intratemporal income distribution problems in paras 11.26 and 11.27 of the report. There is clearly a case for incorporating distributional weights into project analysis, and elsewhere I have attempted to derive such weights [Lal (b)], and they have been applied in a reappraisal study of a World Bank financed irrigation project in India (see Lal and Duane). Though these weights inevitably depend upon explicit value judgments (of the form and parameters of a social welfare function) it is better to face this issue squarely, than to recommend as the Commission does that "the Union Government should provide loans" for irrigation works in drought prone areas "at a concessional rate of half the normal rate charged for irrigation schemes" (para 11.27)!

AYACUT DEVELOPMENT, SOIL CONSERVATION AND SILTATION OF DAMS

The Commission is right in stressing the importance of ayacut development as an integral part of major irrigation projects. The past neglect of this important aspect of project design has led to a high degree of underutilisation of irrigation water, with consequently substantial losses to the national economy (See Lal and Duane). Here again the economist's skills are necessary at the design stage to determine the best way to carry out these developments.

The problem of siltation of dams, too, is rightly noted as an important one by the Commission, as is the role of soil conservation measures in preventing this erosion. However, here again the economist can offer advice on how much expenditure on soil erosion is justifiable to prevent siltation. Thus, if we assume that (a) reduction of the annual siltation rate is proportional to expenditure on soil conservation as far as a lower limit (of siltation) below which it is impossible to get; (b) there is a dam already constructed, and no possibility of constructing another on the same site; (c) there is no distinction between dead and live storage, which is a legitimate assumption if it is true that the silt reduces live and dead storage in the same proportions, and not as is fondly hoped that first the dead storage is silted up; (d) benefits are directly proportional to the capacity of the reservoir; (e) there is a constant rate of interest; (f) all soil conservation can be done at once (which is a restrictive assumption) and works without a time lag (which is not a restrictive assumption, since we can take at the time at which the soil conservation takes effect as our zero point), then it can be shown (see Appendix A to Ch VI by Roger Witcomb, in Lal and Duane), that *all or none* of the soil conservation work is the optimal policy as

$$f \leq (b/r^2) [1 - (se^{-rv/s} - Le^{-rv/L}) / (s - L)]$$

where f - net cost of reducing siltation by one acre-foot
b - benefit per year accruing from one acre-foot of storage
r - rate of interest
s - untreated rate of storage
v - capacity of reservoir at time zero
L - lower bound on rate of siltation

THE PRICE OF IRRIGATION WATER

Publicly produced irrigation water is an important public intermediate good. There is by now a very large and tech-

nical literature on the 'optimal' pricing policies of public enterprises. The classic Hotelling case for marginal cost pricing was based on the implicit assumption that public sector deficits (which might ensue by following this rule) could be financed by non-distortionary taxation and the distributional effects could be neglected. Once these assumptions are relaxed, as they must be, more complex rules ensue (see Diamond-Mirrlees, Feldstein). The determination of the 'optimal' water rates subject to the relevant constraints, for each major irrigation project is an important and to the best of my knowledge, hitherto neglected subject in Indian applied economic research. This lacuna needs to be filled. But meanwhile, whilst agreeing with the Commission's view that in general existing water rates in India are probably too low, its recommendation that "the rate should be related to the gross income from the crop and not to the cost of the project. [It] should range between 5 per cent and 12 per cent of gross income, the upper limit being applicable to cash crops", must be dismissed as being arbitrary, with no clear economic rationale. Its statement that "there can be no precise formula for the fixation of water rates, which must therefore remain a matter for administrative decision" (p 268), can only fill one with extreme gloom for the future of any sensible policies being developed and adopted in this extremely important area!

CONCLUSIONS

Enough has been said above to substantiate our main thesis that irrigation policy is too important to be left to irrigation engineers. What needs to be further stressed is that the economists'

skills are not only required to evaluate projects, but even more importantly at the design stage. There are passages in the Commission's report, like the following, which make one suspect that irrigation engineers are likely to design projects on purely engineering criteria, and having done so, will use any argument available to justify them and get them sanctioned. Thus the Commission rather revealingly states:

"During our discussions with the state governments a fear was expressed by some that a joint appraisal of an irrigation project and its ayacut development, particularly the operations of land leveling and land shaping, would show the project to be less attractive, and for this reason there may be some difficulty in securing approval. We have examined this apprehension by studying a few cases for which data could be had... the effect of including the cost in working out the benefit-cost ratio would be relatively small" (para 11.15). Does this imply, that if its studies had shown that the costs would have been high, and hence he 'fears' of the state governments were 'justified', that it would have recommended that the ayacut development costs should not be included in working out the benefit-cost ratio? It is this cavalier treatment of the economics of irrigation which is the most distressing and dangerous aspect of the Commission's report. Lest it be taken seriously, it should be remembered that as we have tried to show, the economics of irrigation is an important, sophisticated and technical subject, and that in attempting to tackle a subject outside its competence, the Irrigation Commission has made a terrible mistake. Engineers (and economist!) had perhaps best stick to their lasts!

Public Issue by Prabhudas

C PRABHUDAS AND COMPANY, which has a wire drawing plant at Bhavnagar and has been in production since 1970, is stepping up its annual installed capacity from 9,000 tonnes to 15,400 tonnes. The range of products comprises high tensile, spring steel, mild steel, tyre bead and other varieties of wires. The company has been granted ISI mark and also sanctioned quotas for wire rods, zinc and lead. Moreover, when the wire rod plant of the sister concern 'S I F Steels' goes into production by the end of 1973, the company will be able to secure its requirements of wire rods and save to the tune of Rs 200

per tonne on transport charges. It is proposed to offer to the public equity capital of Rs 57 lakhs in shares of Rs 10 each for subscription at par under a Prospectus. Part of the finance proposed to be raised will be utilised to repay some of the loans taken by the company and part for extension of manufacturing facilities. Increased capacity would reduce cost of production and yield good profits. Promoted by the Mehta Group of industries, the company will be managed by a board of directors consisting of professionals and persons experienced in the line.

Factors Affecting Wage Rates for Agricultural Labour

Kalpana Bardhan

Any increase in irrigation and cropping intensity is likely to raise agricultural wages more in an area with a smaller proportion of the rural labour force dependent on wage employment and/or with higher non-agricultural wage rates than in an area where vast masses of tiny peasants and the landless flood the labour market and the non-agricultural sector is too small to absorb much of it. This may not happen if the farmers in the former area resort to using a lot of labour-saving machinery, or the labourers in the latter organise themselves for group bargaining. If the former is characterised by substantial and wide-spread underemployment it would dampen or block entirely the rise in the wage rate. Much of the data studied here indicate that irrigation or multiple cropping does generate a positive response not only in the wage income but also in the daily wage rate for agricultural labourers.

It seems that the worst possible combination of factors is to be seen in areas where the labour market is flooded by the virtually landless, the level of agricultural productivity is stagnant, and the non-agricultural employment opportunities too small. This is more or less the case in many parts of Madhya Pradesh, eastern Uttar Pradesh, Bihar, and any number of pockets in almost every state. The situation is relieved a bit from time to time by migration of labourers. But usually the migration is not large enough, and the wage rates continue to remain depressed. All our crash schemes for rural employment need to be concentrated in these areas of extremely low levels of wages, even if overt unemployment at the prevailing wage rate is not so large in their case, instead of being spread out thinly over the whole country.

N a situation where a substantial proportion of the rural population is primarily dependent on agricultural wage employment, and where such labour is hardly organised for group bargaining¹ or covered by effective wage protection measures by the government,² how do the wage rates for agricultural labour tend to respond to certain economic and other changes? Most of the data on agricultural labourers in India, though rather inadequate or a time series analysis (besides being affected by changes in concepts used for different nationwide surveys), are quite suitable for cross-sectional analysis. This paper is based on the results of some village-level and state-level cross comparison between variations in agricultural wage rates and those in certain basic factors affecting the demand and supply parameters.

I

Let us consider wage determination in a simplified situation where agricultural production depends only on land and labour. A landowning household can either lease out its land beyond what economically utilises the supply of family labour) or cultivate with hired labour. Similarly, a landless household can either lease in land or hire out the labour of its members. In this situation, the equilibrium involves equalisation of the demand for and the supply of wage labour and, on the other side, similar equalisation for the use of land, both being functions of the wage rate and the rent. If production functions are unchanged, the mar-

kets for labour and land perfectly competitive, and there are no exogenous effects, the equilibrium would determine the rates of wages and rent along with the extent of wage employment and of land under tenant cultivation.

Irrigation, with the usually accompanying changes in the pattern and intensity of cropping and biological-chemical innovations, comes into this picture as a major shift parameter. An increase in irrigation shifts upward the demand as well as the supply curve for labour. The higher yields for the wet crops, the multiple cropping, and the more intensive interculture required in irrigated cultivation serve to raise directly the demand for labour,³ apart from the indirect effects of maintenance of the irrigation system. The labourer too would charge a higher rate as the alternative of leasing in land becomes more remunerative. Besides, the rise in the demand for labour for the peak season operations is likely to enhance his bargaining strength. Given other things as equal, a region with a larger proportion of its net sown area under irrigation can thus be expected to have a higher wage rate for agricultural labour (as well as a higher level of rent). The same would be true of intensity of cropping which reflects some of the effects of rainfall and soil conditions as well as irrigation.⁴ An alternative approach would be to look at the degree of production uncertainty which arises mainly from fluctuations in rainfall and the extent of weather dependence of production (inversely,

the extent of assured irrigation). On the demand side, more uncertainty would induce the landowner to lease out and the cultivator to plan for a less intensive cropping pattern with more of drought-resistant, labour-saving crops. On the supply side, by raising the uncertainty of getting agricultural wage employment, it would induce the landless to seek non-agricultural employment. A simple, though rough, index of production uncertainty in a region is the variance of production around the trend over a period of time. One would expect a negative relationship between this and the agricultural wage rate. This line of reasoning assumes, of course, the absence of substantial regional differences in the degree of unemployment or underemployment of labour in the agricultural sector.

An important factor on the supply side is the wage level prevailing outside the agricultural sector. For the landless and the marginal cultivators, there is a third alternative apart from agricultural wage employment and leasing in land, viz. non-agricultural wage employment. Hence, given other things, the wage rates for unskilled labour in the non-agricultural sector would affect the agricultural wage rates. A state like West Bengal or Maharashtra with more industrialisation and urbanisation tends to have higher agricultural wage rates than Orissa. Similarly, the presence of a large plantation sector may have a positive effect on agricultural wages in Assam and Kerala.

TABLE 1 : INTER-STATE REGRESSION FOR 1956-57

(i) $Y = 1.253 + .018^{**}$ (.006)	$X_1 - .023^{**}$ (.008)	X_2	$R^2 = .616, d.f. = 10$
(ii) $Y = 1.000 + .017^{**}$ (.006)	$X_1 - .022^{**}$ (.008)	$X_2 + .024$ (.028)	X_3 $R^2 = .645, d.f. = 9$
(iii) $Y = .005 + .013^{**}$ (.005)	$X_1 - .009$ (.008)	$X_2 + .895^{**}$ (.288)	X_3' $R = .814, d.f. = 9$
(iv) $Y' = 94.875 + 2.364^*$ (1.247)	$X_1 - 2.781^*$ (1.613)	$X_2 + 9.989^*$ (5.448)	X_3 $R^2 = .549, d.f. = 9$
(v) $Y' = 160.143$	$- 2.134$ (1.543)	$X_2 + 13.034^{**}$ (5.240)	$X_3 - 1.639^{**}$ (.710) X_4 $R^2 = .603, d.f. = 9$
(vi) $\text{Log } Y = -0.509 + .124^*$ (.062)	$\text{Log } X_1 + .031$ (.048)	$\text{Log } X_2' + 1.195^{**}$ (.220)	$\text{Log } X_3'$ $R^2 = .833, d.f. = 9$

Notations : Y : Daily wage rate for casual male agric. labour
Y' : Annual wage for the same (from Agr. work).
X₁ : p. c. of net sown area irrigated.
X₂ : Agril. labour household as p. c. of rural households.
X₂' : Average debt per agric. labour h.h.
X₃ : Annual wage for the lowest paid labour in manufacturing industry (earning less than Rs 200 per month).
X₃' : Daily wage for casual male agricultural labour in non-agriculture work.
X₄ : Variance of agricultural production index numbers around the 1951-1961 trend.
*** : Co-efficient significant at the 1 p.c. level (two tail 't' test)
** : Co-efficient significant at the 5 p.c. level.
* : Co-efficient significant at the 10 p.c. level.

A reasonable approximation for the supply parameter is the proportion of rural people or rural working force primarily dependent on agricultural wage employment. The actual time distribution of this labour supply between different kinds of employment, self-employment, and unemployment tends to reflect the equilibrium. Differences in the proportionate size of the agricultural labour population are also likely to reflect something more than shifts in the supply curve. Like the co-efficient of concentration of cultivated area, they may indicate varying bargaining position of agricultural labourers. The more the labour market is flooded by those with very little or no land, and the smaller the number of large farmers who are the major employers capable of exerting monopsonistic pressures, the weaker is likely to be the bargaining position of the labourers and the more depressed would be the wage rate within the range determined by the given supply and demand conditions. As indebtedness, particularly for consumption and from cultivator moneylenders, often leads to adverse employment contract, it may be an indicator of the bargaining weakness for the rural labourers.

Several possible qualifications to this description of wage determination in terms of normal demand and supply factors need to be considered. One is that shifts in the demand for labour may affect not the wage rate per unit of labour employed but the extent of employment and wage income. This

possibility may arise from the supply curve being perfectly elastic over a large range or, stated differently, from the presence of un(under)employment at wage rates that are inflexible downwards beyond a limit set by institutional, physiological or other reasons. This hypothesis, if generally valid, would indicate that the wage rates are unresponsive to changes in irrigation or cropping intensity, except marginally when the demand curve is pushed by fertilisers and high-yielding seed varieties beyond the wide horizontal part of the supply curve. Conversely, an observed significantly positive relationship between the two would be inconsistent with this hypothesis as a general description of reality.

Another possible qualification arises from widespread use of labour saving machinery for the peak season operations and from any substantial scope for shifting family labour from unemployment, idleness or from other occupations to meet the larger labour requirement. Extension of irrigation and multiple cropping through the direct pressures on wage rates may encourage, and be partly cancelled out by, the use of machinery for the peak seasons and increased use of family labour. How far this possibility is likely to be strong enough to make the wage rates unresponsive to irrigation and multiple cropping is a question that can be answered with reference to specific test cases and by looking at the general intertemporal or cross-sectional relationship between them. They can give some

idea as to whether the net rise in demand for labour generated by irrigation and the associated changes in technology (in their mechanical and bio-chemical aspects) has been significant enough.

II

In this section we shall analyse, on the basis of the NSS data, interstate variations in wage rates for 1956-57 and 1970-71, both agriculturally normal to good years for almost all parts of the country. The wage rates we have used refer to male agricultural labour. This is in order to abstract from the socio-economic factors responsible for differences in the female participation rate, and to achieve better comparability with the wages for non-agricultural workers. For 1956-57, the wage figures refer to casual labour which is likely to be more comparable between states, because of substantial heterogeneity in the nature of an attached or permanent labourer's wage contract as it ranges from semi-feudal bondage in parts of Orissa, Madhya Pradesh and Andhra Pradesh to more or less voluntary agreements in Punjab, Haryana and western Uttar Pradesh. The wage figures for 1970-71 represent an average for casual and attached labour, as the 25th Round of the NSS which is their source scrapped the distinction. Besides, they refer to the male workers (of 15-45 years age group) belonging to rural non-cultivating households. This group, though not necessarily representative of the population of agricultural labour households

TABLE 2 : INTER-STATE REGRESSIONS FOR 1970-71

(i) $Y = 2.879 + .040^{***} X_1 - .050^* X_2$	$R^2 = .508, d.f. 11$
(ii) $Y = 1.519 + .045^{**} X_1 - .050 X_2 + .001 X_3$	$R^2 = .529, d.f. 10$
$\log Y = -5.038 + .392^{**} \log X_1 - .342^* \log X_2 + .759 \log X_3$	$R^2 = .528$
(iii) $\log Y = .371 + .139 \log X_1 - .173 \log X_2 + .659^{***} \log X_3$	$R^2 = .739$

X_1, X_2 same as in Table 1.

Y, X_3 as in Table 1, but referring to male agricultural labourers (casual and attached) belonging to 15-4 years age group.

X_2 is male agricultural labourers as proportion of male rural workers.

*, **, *** indicate co-efficients significant at the 10, 5, and 1 per cent levels by two tail 't' test.

like the group to which the 1956-57 data relate, does consist predominantly of agricultural labourers as is evident from the pattern of time disposition of the workers in this group.⁵

We shall try to explain inter-state variations in the agricultural wage rate thus defined in terms of the following factors:

(a) Irrigated proportion of the net sown area; alternatively, the percentage intensity of cropping. For 1956-57, we considered another alternative, viz, variance of agricultural production index around the trend over 1951 to 1961.

(b) The proportion of rural households (or workers) primarily dependent on agricultural wage employment.⁶ As indicated earlier, the extent of consumption debt incurred by agricultural labourers may also be an indicator of their bargaining position. In the absence of purposewise breakdown of borrowing at the state level, we have used for 1956-57 the figures for total outstanding debt per agricultural labour household.

(c) An average wage rate for the relatively low paid (presumably the relatively unskilled) non-agricultural labour-

ers. The available data permit two alternative specifications for this. One is the average (annual) income of workers in manufacturing industries with monthly earnings of less than Rs 200 (less than Rs 400 for 1970-71),⁷ which is the lowest size-group for which the Labour Bureau publishes these data. This obviously is a rough indicator of the wage alternative that the agricultural labourer associates with (wholtime or even primarily) non-agricultural employment. The comparability improves by using (as we have done for 1956-57) the average annual wage income from agricultural employment⁸ rather than the daily wage rate. But some things are still left out. For the labourer considering the alternative of migrating to the city, the income from wholtime industrial employment would be comparable with his total income from all kinds of employment (including self-employment), after adjusting for different degrees of susceptibility to income fluctuation. For the labourers who are simply adjusting their time disposition between various kinds of employment (even those involving seasonal migra-

tion), the relevant comparison is between the different wage rates they offer. For this reason we have considered, apart from the industrial worker's wage income, the average wage rate for the casual rural labour engaged in non-agricultural work.⁹

The wage rate in manufacturing industries is more likely to have an independent effect on agricultural wages in the sense of being more of an exogenous variable. The relationship with the non-agricultural wage rates prevailing in the rural areas is more likely to be one of mutual or simultaneous determination, although quite often the opening up of a large source of non-agricultural employment, like a major construction work or a sugar mill, within the rural area may generate a sustained independent effect on agricultural wages that were depressed earlier. It is possible that the wage rates for non-agricultural rural labour is an exogenous variable in some cases and an endogenous one in others. We shall not dismiss it as an independent variable unless it is found to be strongly correlated with the other independent variables.

TABLE 3 : DEVIATIONS OF OBSERVED FROM ESTIMATED WAGE RATES AS MULTIPLES OF STANDARD ERROR OF ESTIMATE, 1956-57 AND 1970-71

State	From Equ (i)		From Equ (ii)		From Equ (iii)	
	1956-57	1970-71	1956-57	1970-71	1956-57	1970-71
Andhra Pradesh	-.05	-.47	+.31	-.22	-.09	+.74
Assam	+.78	+.43	+.30	+.36	-.98	-.30
Bihar	-.28	-.13	-.50	-.13	-.09	-.15
Gujarat		+.08		-.05		+.84
Maharashtra	+.46		+.06		+.76	
Kerala		+.52		+.29		+.64
Madhya Pradesh	+.09	+2.27	+1.14	+2.22	+.11	+1.29
Mysore	-.11	-.68	-.09	-.97	+.49	-.89
Orissa	+.32	-.42	+.44	-.11	-.12	-1.38
Punjab	-.35	-.59	-.30	-.34	+.11	-.20
		+.46		+.44		+.20
Haryana	+.94		+1.00		+1.68	
Rajasthan		+1.00		+.84		+.90
Tamil Nadu	-1.26	-.13	-.98	+.09	-1.25	+.34
Uttar Pradesh	-1.01	-.93	-.95	-.98	-.82	-1.34
West Bengal	-1.67	-1.41	-1.63	-1.36	-.92	-.80
	+1.34	n.a.	+1.19	n.a.	+1.09	n.a.

APPENDIX TABLE A.1 : INTER-STATE VARIATION IN WAGE RATE FOR ADULT MALE CASUAL AGRICULTURAL LABOURER ALONG WITH SOME RELATED VARIABLES, 1956-57

State	Wage Rate for Casual Adult Male Agricultural Labourer (Rs) (per day)	Annual (=daily wage x no of days employed)	Per Cent of Net Sown Area Irrigated	Percentage Intensity of Cropping	Variance in Production Around Trend for 1951-61 (PC)	Agricultural Labour Debt per Household as p c of All Rural Households	Average Annual Debt per Agricultural Labourer (Rs)	Annual Wage Per Worker in Manufacturing Industry Earning Rs 200 per month	Average Daily Wage Rate for Casual Male Agricultural Labourer in Non-Agricultural Operations
Andhra Pradesh	0.87	153.12	25.2	109.4	.002106	35.59	102	595	0.97
Assam	1.54	315.70	28.9	117.3	.001086	18.18	10	1526	1.68
Bihar	0.91	169.26	22.9	130.3	.007367	29.55	97	1236	0.99
Bombay	0.87	168.78	5.4	104.7	.006014	26.03	47	1415	0.99
Kerala	1.28	193.28	18.3	118.9	.001070	22.73	63	736	1.36
Madhya Pradesh	0.76	112.48	5.3	113.6	.004827	24.53	51	982	0.90
Madras	0.84	134.40	38.3	118.9	.003529	36.54	90	950	0.91
Mysore	0.84	161.28	7.4	103.2	.004444	27.27	120	853	1.12
Orissa	0.80	114.40	17.4	107.9	.004732	29.41	39	949	0.90
Punjab	1.98	287.10	40.2	131.4	.001980	9.38	287	991	1.38
Rajasthan	0.98	155.82	11.4	110.4	.005488	6.90	218	770	1.25
UP	0.92	127.88	27.3	126.2	.002248	17.24	141	1014	0.99
West Bengal	1.43	238.81	23.5	116.6	.004337	25.00	39	1142	1.27

Source : Columns 1, 2, 6, 7, 9: Second Agricultural Labour Enquiry Report, or the National Sample Survey, Report No 33.

Columns 3 and 4 : Ministry of Food and Agriculture.

Columns 5 : Computed by BS Minhas from index numbers of agricultural production, in terms of percentage deviations from the trend.

Columns 8 : Figures relate to 1956. *Indian Labour Statistics*, issued by the Ministry of Labour.

Obviously, a better approach is to look at wage determination in terms of a simultaneous equation model. But we do not have sufficient data for estimating such a model, for knowing precisely all the structural parameters of the system. What we have tried to do here is to indicate the effect of changes in the major exogenous variables on agricultural wages.

For each year we have tried to explain inter-state variations in agricultural wage rates in terms of combinations of these factors. Using both linear and log-linear relationships, and selecting the alternatives that give distinctly better explanation of the observed wage variations, the results are given in Tables 1 and 2.

For both the years irrigation and the proportionate size of agricultural labourers come out as of major importance in explaining inter-state wage variations. In spite of differences from year to year in some of the data, the results are consistent enough as far as the signs and the significance of the co-efficients are concerned, particularly for irrigation. The agricultural wage rate responds positively to variations in the former and negatively to the latter. The response to cropping intensity is similar to irrigation though somewhat less significant.

For the year that we tried as an explanatory factor the variance of agricultural production in place of the percentage area irrigated, it seems to have a

significant negative effect on the agricultural wage rate.

The response to the labourer's indebtedness is insignificant. This could be because inter-state differences in terms of the extent of total debt need not indicate differences in labour's bargaining position. A larger volume of debt may not lead to bargaining weakness if the income level of the labour household is larger too. Besides, the labourer who has some land may find it worthwhile to borrow more for production purposes, and it may even strengthen his bargaining position. In other cases, indebtedness may turn him into an attached labourer (or a sharecropper) with an unfavourable wage (or sharecropping) contract. Often a small cultivator may be pushed by an emergency into mortgaging his land and become an agricultural labourer. So much depends on the purpose, the source and the terms of borrowing that without more detailed data one cannot say much about its impact on bargaining position and wage rate across regions.

From Tables 1 and 2 it appears that non-agricultural wages, whether referring to casual non-agricultural or full-time industrial labour, has a significant positive effect on the wage rates for agricultural labour. As mentioned earlier, a part of this positive relationship may conceivably arise from their being affected by a common independent

factor. While we do not know about the operation of all such factors, we at least know whether the non-agricultural wage rate in either form is strongly correlated with irrigation or the proportion of agricultural labourers for the particular cross-sections that we have studied. Variations in the wage level of the lowest paid workers in manufacturing industries in a state has little relationship with those in the other factors considered here.¹⁰ The wage rate for casual non-agricultural labour is mildly correlated with the proportion of agricultural labourers during 1956-57 and with irrigation during 1970-71.¹¹ It seems reasonable to think that at least the wage level for the lowest paid industrial workers has a significant independent effect on agricultural wages. Together with this, the two other independent variables explain 53 to 65 per cent of the variance of wage rate or income of casual agricultural labour across states during 1956-57. Use of the other non-agricultural wage indicator raises the explained variance to nearly 75-80 per cent of the total.

Variations in the intensity of irrigation and in the proportion of agricultural labourers explain about 51 to 62 per cent of the variance of agricultural wage rate. Actually, if we compare for each state the observed wage rate with the one derived from equation (i) of Tables 1 and 2, then we find a remarkable closeness (despite the limited number

APPENDIX TABLE A.2 : INTER-STATE VARIATION IN WAGE RATE FOR MALE AGRICULTURAL LABOUR (OF 15-45 AGE GROUP) FROM NON-CULTIVATING HOUSEHOLDS AND SOME RELATED VARIABLES, 1970-71

State	Agriculture Wage/Rate (Rs/day)	Irrigated p c of Net Sown Area	Male Agricultural Labourers as p c of Male Rural Workers	Daily Wage Rate for Non-Agricultural Labour	Annual Wage Per Worker in Manufacturing Industry Earning Less Than Rs 400 per Month
Andhra Pradesh	2.22	27.7	31.39	1.86	2088
Assam	3.78	25.7	10.75	4.41	2340
Bihar	2.29	27.1	35.63	2.66	2486
Gujarat	2.45	12.3	22.43	2.27	2643
Haryana	4.46	39.5	18.56	4.14	2436
Kerala	4.25	19.5	28.40	4.35	2467
Madhya Pradesh	1.68	7.8	21.73	2.41	2939
Maharashtra	2.28	7.5	29.90	2.60	2903
Mysore	1.91	11.2	24.42	3.25	2088
Orissa	1.90	16.9	26.74	2.08	2143
Punjab	4.97	70.4	24.92	5.84	2070
Rajasthan	3.03	15.7	8.33	2.69	2003
Tamil Nadu	2.42	41.3	30.80	3.69	2442
Uttar Pradesh	2.47	39.1	18.89	2.85	2200

Source : Columns 1 and 4: National Sample Survey, 25th Round relating to 1970-71.

Column 2: Figures relate to 1969-70.

Column 3: A Chandrasekhar's Census of India, Series I, India, Paper 1 of 1971, supplement, provisional population totals.

Column 5: Figures relate to 1969, which is the latest year for which final, revised figures were published at the time of writing this paper.

Indian Labour Statistics.

of independent variables considered) between the two for most of the states and equally remarkable gaps for a few. Table 3 gives the deviations expressed as multiples of the standard error of estimate. For most of the states the deviation does not exceed the standard error of estimate. The major exceptions are: Kerala, Haryana, and West Bengal, where the actual wage rate is considerably higher than the estimated; and, on the other hand, Tamil Nadu, Uttar Pradesh and Rajasthan (during 1956-57), where it is the reverse. Even after we take account of the non-agricultural wage level as an additional factor [equations (ii) and (iii)], the observed level of the agricultural wage rate is still systematically higher than the estimated level in the case of Kerala, West Bengal and, to some extent, Haryana, and lower in the case of Tamil Nadu and Uttar Pradesh.

Without additional information it is difficult to say exactly what other factors have been working to push up the agricultural wages in the former and to pull them down in the latter. Crop price differences may theoretically affect the wage levels, though most attempts at relating wage and price behaviour over time²² show sluggish and weak response of wages to price changes. In connection with this study, we made two attempts at relating cross-sectionally wage rate for casual agricultural labour

to current year average crop price index: one for a set of 39 north Indian villages, another with state level data for 1960-61. Neither indicate any significant relationship between variations in the average crop price and in the wage rate. It seems that crop price differences, unless they are sufficiently stable over several years, may not have much effect on the wage rate (though they may change its cash-kind composition).

Other factors that may give rise to inter-state wage differences are: rural trade unionism, and mechanisation. In the case of Kerala, better organisation of agricultural labourers for group bargaining is possibly an important factor behind the large/positive deviation, particularly during the more recent year. Alleppey and Palghat probably have the strongest rural trade union movement in the country. Though group bargaining has been less widespread in the other districts of Kerala, it has been spreading much better than in any other state which is partly due to a more or less sympathetic government being in power over a prolonged period.

In the case of Haryana and Punjab, it seems that the much talked about agricultural mechanisation have not yet been on balance a strong depressant for the money wage rate. The observed wage rates in their case either exceed substantially or are close to the levels estimated on the basis of irrigation and

the proportionate size of agricultural labourers.

III

A state can be too heterogeneous an unit, and sometimes thinking in terms of state-level averages may be misleading. For this reason it is worth finding out whether relationships observed at the inter-state level hold in the case of a cross-section of smaller units, like villages. With some amount of village survey material available, this can be done.

We started with 60 villages of pre-bifurcation Punjab and Uttar Pradesh, plus 20 of them resurveyed after an interval of five years, by the Agricultural Economics Research Centre at Delhi over the period 1955-56 to 1964-65. After scrutinising for quality and comparability of data, we finally worked with a set of 39 villages from 18 districts with reference years ranging from 1956-57 to 1962-63. This set excludes the villages surveyed prior to 1957-58 (reference year 1956-57), those with too many gaps in the wage data, the villages of eastern UP, and one point of each resurveyed village.¹³

The major problem of using these data is that the villages were not as a matter of principle, selected on a random basis so as to represent the region. Instead, they were picked out from time to time on assorted grounds that happened to make them interesting. For this reason we cannot use the magnitude of the regression co-efficient as estimates for the region. But their signs may still be regarded as good approximations, as they indicate the directions of response of wage rate for a fairly large and varied section of the region.

The basic regression equation with which we have analysed inter-village variations in the average wage rate for casual agricultural labour has three factors similar to the inter-state case: intensity of cropping;¹⁴ the proportionate size of agricultural labourers, or the degree of concentration in the distribution of cultivated area, and wage rate for casual non-agricultural labour. Later, we bring in few other factors like the location of a village and the incidence of tenancy, which are more meaningful at the village level than at the more aggregative and heterogeneous state level.

The main results are as follows:

$$(A) \log Y = -2.690 + .513^{***} \log X_1 \quad (.19)$$

$$-.533^{***} \log X_2 + 1.064^{***} \log X_3 \quad (.17) \quad (.11)$$

$$R^2 = .733, \text{ d.f. } 35$$

APPENDIX TABLE A.3 : DATA ON DAILY WAGE RATE FOR CASUAL AGRICULTURAL LABOUR AND CERTAIN RELATED FACTORS FOR 39 VILLAGES OF PUNJAB AND UTTAR PRADESH

Village/District	Wage Rate for Casual Agricultural Labour (Rs/day)	P C Intensity of Cropping	Concentration Co-efficient for Cultivated Area	P C of Households Cultivating 0 to 2.5 Acres	Wage Rate for Casual Non-Agricultural Labour (Rs/day)	Ranking for Location, Communication	Agricultural Labourers as p c of All Agricultural Workers	P C of Cultivated Area Leased In	Average Agricultural Price Index
(0)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Gurdaspur									
1 Lodi Mangal	2.26	152.41	.654	59.58	1.13	4	46.3	34.13	1.236
2 Sochiana II	2.00	182.87	.898	84.83	1.64	4	41.4	35.21	1.643
3 Gokhowal	1.29	140.73	.875	76.31	1.97	3	50.0	10.04	1.877
Hoshiarpur									
4 Kolyee	2.44	97.68	.854	69.16	2.43	4	21.8	16.28	.956
5 Mehtiana II	2.51	129.55	.800	66.01	2.56	4	43.9	28.33	1.127
6 Maku-Majra	3.80	161.15	.662	78.58	1.75	3	28.9	63.25	1.715
Gurgaon									
7 Bahautwas II	1.97	111.60	.448	25.19	2.00	1	4.2	32.53	1.386
8 Saran II	1.87	104.76	.573	44.80	1.85	2	16.2	18.33	1.983
Hissar									
9 Mirka	2.37	126.01	.562	34.54	2.10	3	15.7	32.34	1.536
10 Dewa	4.87	132.00	.400	6.31	2.67	2	3.3	29.37	1.172
Ferozepur									
11 Ratta Khara II	2.28	92.79	.833	79.73	2.62	3	76.7	8.85	1.190
12 Rataul Rohi II	3.17	105.19	.617	41.77	2.44	4	27.6	55.20	1.268
Ludhiana									
13 Bhatian II	2.90	151.01	.684	50.66	2.22	4	29.2	48.88	1.178
Patiala									
14 Patran	2.90	98.78	.749	61.93	3.39	4	20.8	21.70	4.644
15 Kukar Majra I	2.42	118.18	.685	61.84	2.74	4	23.9	21.55	1.665
16 Sakrali I	2.99	131.18	.681	52.33	2.81	2	28.6	40.43	1.621
Sangrur									
17 Kala Jhar	3.39	119.70	.598	44.21	2.75	3	26.4	27.51	1.484
18 Akoi	3.20	129.42	.652	55.00	2.97	2	35.2	12.68	.891
19 Sular	2.20	114.15	.616	44.30	1.75	2	21.9	30.93	1.551
20 Delawargarh	2.67	131.62	.755	69.47	2.92	4	20.0	26.54	1.434
Shahjahanpur									
21 Rawatpur	1.11	100.00	.573	49.26	1.24	2	13.9	27.05	1.095
22 Bhunderi	1.35	107.49	.464	31.07	1.14	2	16.2	24.18	.926
23 Bhojpur	1.41	110.45	.640	58.58	1.50	2	21.9	11.48	1.000
Sharanpur									
24 Sanoli II	1.63	113.31	.632	44.44	1.81	1	28.3	10.93	1.255
25 Soharpurgara II	1.11	123.84	.683	54.02	1.22	3	26.4	6.12	1.377
Meerut									
26 Walidpur	1.27	118.92	.824	76.85	1.65	3	57.5	2.64	1.106
Etawah									
27 Gati II	1.48	111.26	.470	33.97	1.50	1	9.3	13.79	1.308
Agra									
28 Mohammadpur II	1.74	116.89	.909	93.27	1.53	3	16.7	4.33	1.390
Basti									
29 Bhanwarpur	0.79	114.43	.853	62.67	1.00	1	25.2	3.00	1.097
Bulandshahr									
30 Ram Nagar	1.48	139.31	.608	70.08	1.37	2	12.5	14.02	1.298
31 Kudena	1.07	114.99	.901	82.30	1.64	3	50.7	10.93	1.195
32 Zahidpur I	1.33	115.44	.677	46.99	1.49	3	21.8	9.45	1.304
Farukhabad									
33 Katra Rahamat Khan I	1.26	145.54	.649	84.34	1.45	3	28.2	26.87	1.093
34 Deorampur	2.00	227.10	.706	91.78	2.00	3	50.5	6.04	1.457
Bareilly									
35 Patti-Baharipur II	1.29	148.39	.459	52.31	1.22	3	4.2	25.24	1.061
36 Ratanpuri	1.52	145.71	.834	50.00	1.40	1	28.2	4.43	1.132
Moradabad									
37 Kamelpur	1.85	110.58	.567	44.71	1.54	1	10.0	5.19	1.198
38 Dhakia	1.40	117.65	.623	57.45	1.56	3	16.6	6.23	1.171
39 Palanpur	1.18	96.53	.543	39.08	1.13	3	12.4	9.88	1.819

Notes : I indicates first point surveys, II resurvey. For calculating the daily wage rates for both casual agricultural and non-agricultural labour, care has been taken to consider only those wage payments or receipts for which employment data (in days) are also available.

The Lorenz concentration co-efficient is calculated as $C = 1 - \sum (H_{i+1} - H_i) (L_{i+1} + L_i) i = 0, \dots, n-1$; where H and L refer to the cumulative proportions of households and cultivated area in each of the eleven size-groups considered by us.

The derivation of the rankings of villages in terms of location and communication factors is based on the following considerations : (a) distance from the nearest pucca road(s), (b) distance from the nearest railway station(s) and bus stop(s), (c) distance from the nearest big city or town(s) and (d) the nature of any major industrial area or trading centre or construction works going on near the village. Based on these considerations, the ranking indicates 1 for excellent, 2 for moderately good, 3 for moderately bad and 4 for very bad position in terms of location and communication.

The average crop (and milk) price index for a village as proportion of that for the whole sample is derived as $P_i =$

$$\sum_j \left(P_{oj} q_{ij} \cdot \frac{P_{ij}}{P_{oj}} \right) / \sum_j P_{oj} q_{ij}, \text{ with } i \text{ indicating villages, } j \text{ crops (and milk) and } P_{oj} \text{ the price of crop } j \text{ for the whole sample.}$$

where

Y : average wage rate for casual agricultural labour¹⁵ (covering, as usual, cash, kind payments and perquisites)

X_1 : percentage intensity of cropping

X_2 : Lorenz co-efficient of concentration in the size-distribution of cultivated area among all households

X_3 : average wage rate for casual non-agricultural labour¹⁶ and ***, **, * indicate co-efficients significant at 1 per cent, 5 per cent, 10 per cent.

The signs of the co-efficients are consistent with *a priori* expectations and with the earlier state-level results, and they are statistically significant. The level of agricultural wage rate in a village responds positively to the intensity of cropping and the non-agricultural wage rate, and inversely to the degree of concentration in the distribution of cultivated area.

A larger degree of concentration of the operated area among a smaller number of farmers gives them a stronger bargaining position in the labour market. On the other side, a larger proportion of the village households either operate tiny plots or no land at all. As this group is usually the major supplier of wage labour for agriculture, their bargaining position in the labour market would be weaker. On both these counts a larger co-efficient of concentration may be expected to depress the wage rate, given other things unchanged. This comes out significantly in the case of the present set of villages.

If in place of the concentration co-efficient derived from the entire Lorenz curve we consider only the proportion of the village households belonging to the size-group of zero upto 2.5 acres of cultivated land,¹⁷ we get a closely similar picture. With X_2' as the percentage of households in the size-group 0-2.5 acres, we get the following alternative estimate parallel to (A):

$$(B) \log Y = -1.729 + .578^{***} \log X_1 \quad (.19)$$

$$- .255^{***} \log X_2' + .991^{***} \log X_3 \quad (.08) \quad (.11)$$

$$R^2 = .740, \text{ d.f. : } 35$$

In place of the proportion of households cultivating no land or farms upto 2.5 acres who are likely to be the major suppliers of hired agricultural labour, if we directly consider the actual suppliers of such labour¹⁸ as a proportion of all agricultural workers¹⁹ (cultivators as well as hired labourers), we would expect to find a similar relationship. With X_2 denoting this proportion,

$$(C) \log Y = -.935 + .513^{**} \log X_1 \quad (.21)$$

$$- .117^{**} \log X_2 + 1.058^{***} \log X_3 \quad (.056) \quad (.12)$$

$$R^2 = .698, \text{ d.f. : } 35$$

From (A), (B), (C), it can be seen that the agricultural wage rate is positively responsive to the wage rate for casual non-agricultural labour. Changes in the latter for the set of villages, unlike in the 1970-71 inter-state case, is practically unrelated to changes in the two other independent variables.²⁰

There may be still other factors which affect both the wage rates. A village that is favourably placed in terms of location and communication with urban areas may, given other things, have high levels of both the wage rates. This, however, is a rather difficult thing to quantify. From the available data and observations made by the field investigators, we ranked the villages roughly on the basis of a number of considerations: such as distances from the nearest pucca road(s), railway station and bus stop (and number of bus routes connecting with urban areas), distance from and importance of the nearest town or city as a source of non-agricultural employment. After ranking the 39 villages in four groups of ascending order in terms of location and communication (rank 4 standing for excellent, 3 for moderately good, 2 for moderately bad, and 1 for very bad), we noted a moderate degree of positive relationship between the level of non-agricultural wage rate and the location-communication factor across the villages. The correlation is not very strong for the simple reason that the non-agricultural wage rate depends on other things as well.

Using this factor (X_4) in place of the non-agricultural wage rate, we get

$$(D) Y = 1.299 + .009^* X_1 \quad (.005)$$

$$- .026^{***} X_2' + .400^{***} X_3 \quad (.008) \quad (.139)$$

$$R^2 = .295, \text{ d.f. : } 35$$

The response of agricultural wage rate to this factor does turn out to be as expected, the wage being higher in a village more favourably placed in terms of location and communication. But the overall goodness of fit is lower in this case partly because of the rough manner in which the variable could at all be defined and because the extent of non-agricultural employment opportunities in and around a village depend on other things too.

Besides, unlike in the inter-state case, for this particular set of villages the non-agricultural wage rate seems to have

a more significant effect than the cropping intensity and the proportionate size of agricultural labourers. When we drop the former out of (B), the two remaining variables explain a much smaller proportion of the inter-village variation in agricultural wage rate:

$$\log Y = -.727 + .541 \log X_1 \quad (.359)$$

$$- .313^{**} \log X_2, R^2 = .143, \text{ d.f. : } 35 \quad (.140)$$

As the sample is not necessarily representative of the region, this may or may not be a correct description of the relative strength of the different explanatory variables in a proper random sample. The signs of the co-efficients are, however, more likely to hold out.

Into the basic regression model we next introduce two additional explanatory variables. One is the incidence of tenant cultivation which, given the enormous variation in the form and content of tenurial systems in different parts of the country, is more likely to make sense for a relatively small and homogeneous region. The other is the average level of agricultural prices, changes in which may possibly influence those in money wage rates for casual agricultural labour.

Given the degree of concentration in landownership or the proportion of landless households, a larger degree of tenant cultivation would indicate two things. On one side, the supply of landless labour for hiring out would be smaller than otherwise as more of them have leased in land. On the other side, the demand for hiring in would be smaller as more land is leased out instead of being cultivated with hired labour. For our particular set of villages the supply effect seems to be stronger, and the wage rate varies directly with the net leased in proportion of cultivated area which is denoted by X_4 in

$$(E) \log Y = -2.274 + .389^{**} \log X_1 \quad (.19)$$

$$- .304^* \log X_2' + .921^{***} \log X_3 \quad (.18) \quad (.11)$$

$$+ .131^{**} \log X_4, R = .777, \text{ d.f. : } 34 \quad (.05)$$

The price variable seems to have no significant effect on the wage rate for casual agricultural labour. With X_5 denoting the average agricultural price index for a village during the reference agricultural year,²¹

$$(F) Y = .347 + .038^{***} X_1 \quad (.003)$$

$$- 1.952^{***} X_2' + 1.172^{***} X_3 \quad (.642) \quad (.151)$$

$$- .128 X_5, R^2 = .734, \text{ d.f. : } 34 \quad (.158)$$

Although the set of villages that we have studied may not necessarily be a representative sample for the region (consisting of Punjab, Haryana and western UP), they are still numerous and varied enough to have some general implication. And we still come out with results that are both meaningful in themselves and consistent with those relating to wage variations across states. A significantly large proportion of the variation in agricultural wage rate is explained by variations in (a) the intensity of irrigation or cropping, (b) some index of the supply and the bargaining position of agricultural labourers: the relative size of agricultural labourers, the degree of concentration in the distribution of cultivated area, or the proportion of non-cultivating or poor cultivator households, and (c) wage level for non-agricultural labour. Almost all our results consistently indicate that the agricultural wage rate responds positively to (a) and (c) and negatively to (b).

IV

Any given increase in irrigation and cropping intensity is likely to raise agricultural wages more in an area with a smaller proportion of the rural labour force dependent on wage employment and/or with higher non-agricultural wage rates than in an area where vast masses of tiny peasants and the landless flood the labour market and the non-agricultural sector is too small to absorb much of it. This may not happen if the farmers in the former area resort to using a lot of labour-saving machinery, or the labourers in the latter organise themselves for group bargaining. If the former is characterised by substantial and widespread underemployment, it would dampen or block entirely the rise in the wage rate. Much of the data studied here indicate that irrigation or multiple cropping does generate a positive response not only in the wage income (1956-57 regressions iv and v) but also the daily wage rate for agricultural labourers.

It seems that the worst possible combination of the factors is to be seen in areas where the labour market is flooded by the virtually landless, the level of agricultural productivity is stagnant, and the non-agricultural employment opportunities too small. This is more or less the case in many parts of Madhya Pradesh, eastern Uttar Pradesh, Bihar, and any number of pockets in almost any state. The situation is relieved a bit from time to time by migration of labourers. But usually the migration is not large enough, and the wage rates continue to remain depressed.

All our crash schemes for rural employment need to be concentrated in these areas of extremely low levels of wages, even if overt unemployment at the prevailing wage rate is not so large in their case, instead of being spread out thinly over the whole country.

[This is a revised version of a paper I worked on at the Agricultural Economics Research Centre at Delhi. It was presented in the Seminar on Political Economy of Indian Agriculture held in Calcutta in March 1973. I am grateful to Nikhilesh Bhattacharya for his detailed and helpful comments on an earlier draft.]

Notes

- 1 Except to some extent in parts of Kerala and Tanjore district of Tamil Nadu.
- 2 This is particularly true of the period prior to 1961 during which there was merely the minimum wage legislation for agricultural labour that even with its extremely narrow coverage was hardly ever implemented. The Rural Works Programmes of the Third Plan had a modest target, and the achievement was even less. From 1961 to 1966 employment was generated for about 400,000 persons under these programmes for the entire country. The Crash Scheme for Rural Employment, started in 1971, seeks to employ a maximum of 1,000 persons in each district on construction works at wage rates that are on par with the local off-season rates or else designed to give a monthly income of not more than Rs 100 per head which is considered to provide a minimum level of living. Though the scheme is large in absolute terms, it is spread out thinly thus diluting its possible impact on the labour market in most areas. More recently, the scheme has been modified to permit concentration of efforts in districts with severe unemployment and alternative kinds of projects offering the employment.
- 3 Use of machines may depress the total rise in the demand for labour generated by the extension of irrigation, but is rather unlikely to cancel it out altogether. Even tractors, which may be labour-displacing for seedbed preparation, may be labour-using when used for pumping and increasing cropping intensity. Harvester combines are, of course, purely labour-displacing.
- 4 Being a more comprehensive variable than irrigation, it is theoretically better for a cross-sectional analysis. On the other hand, the way it is calculated biases it against the sugarcane growing areas. Besides, the labour requirement per acre tends to be larger in the areas enjoying more irrigation and/or assured rainfall because of not just multiple cropping but also the predominance of labour intensive crops like paddy and sugarcane and the higher labour intensity for the same crop raised with irrigation (for watering the fields, applying fertilisers and reaping the larger harvest). Some of these factors may be left out by considering variations in the cropping intensity, but a major part is likely to be captured. We have often taken into consideration both irrigation and cropping intensity, with marginal differences in the results.
- 5 On an average, about 80 per cent of their employed weekly mandays were engaged in agricultural wage employment.
- 6 Because of changing data, this is slightly different from year to year. For 1956-57 it is the proportion of agricultural labour households among all rural households (11-12 Rounds of the NSS). For 1970-71 it is the proportion of male agricultural labourers among all male rural workers (the 1971 Census).
- 7 Considering the rise in prices and cost of living from the earlier year, this does not mean any significant difference.
- 8 The average daily wage rate multiplied by the average number of days of agricultural wage employment per head of casual male labour.
- 9 Derived from the NSS data, this non-agricultural wage rate relates to the casual male agricultural labourers in 1956-57, and to the male workers of rural non-cultivating in 1970-71.
- 10 The correlation coeff. (R) between X_3 and X_1 is .034 during 1956-57 and -.289 during 1970-71; and R between X_3 and X_2 is -.089 and -.226 respectively for the two years.
- 11 R between X_3 and X_1 is .268 for 1956-57 and .694 for 1970-71. R between X_2 and X_3 is -.591 and -.176 respectively.
- 12 See Rath and Joshi, "Relative Movements of Agricultural Wage Rates and Prices", *Artha Vijnana*, June 1966, for a study of wage price movements in Bombay Presidency over 1924 to 1940, and in a number of states during the period 1954-57. S. C. Chaturvedi, in his "Rural Wages in the United Province", has a similar study for the United Province over the period 1911 to 1944.
- 13 The villages surveyed prior to 1957-58 are left out because they suffer from frequent changes in the categories, and because of the general impression among those connected with the surveys that the earlier ones are less reliable. The villages from Kangra district are left out as they are characterised by special production conditions (fruit growing) and special modes of labour use (co-operative). Most of the surveyed villages from eastern UP are unusually depressed,

and we left them out for the sake of comparability. Out of the two points of a resurveyed village we selected one, even though quite often a village is substantially changed in five years' time.

14 We have not used the irrigation data, because for some of the villages they seem to be overstated, probably giving the gross irrigated area.

15 This is derived from the cultivation schedules as total wage payment for casual labour derived by the number of such labour days employed on the farms of the village cultivators located both inside and outside the village. From the schedules for agricultural labourers, one can derive another wage rate which refers to what they receive from outside cultivators as well as the village cultivators (with farms located both inside and outside). One may expect, and there actually is, some degree of correspondence between these two. Since for explaining inter-village variations in wage rate one needs certain information about the farms on which the labourers are employed

at the particular wage rate, we have used the wage rates derived from the cultivation schedules which are also the source for X_1 and X_2 .

16 Wage rates for casual non-agricultural labour are derived from the labour schedules for the purely non-agricultural and the mixed casual labourers of the village, dividing the wages by the number of days worked during the reference year both in and out of the village.

17 For much of this region, a farm of not more than 2.5 acres would be considered a very small one. Together with the non-cultivating households they constitute the major suppliers of rural wage labour in this area.

18 For the sample of 39 villages the co-efficient of correlation between the two wage rates is about .6 which is significant. It is not nearly equal to unity for the simple reason that their respective coverages of employers and of employees though overlapping are not identical. In particular, the non-cultivators and the poor cultivators need not ex-

haust the population of agricultural labourers or consist entirely of them.

19 Classification of workers, following the general practice, is in terms of the main occupation as reported by the worker himself.

20 The correlation co-efficient of the non-agricultural wage rate is —.070 with cropping intensity, .110 with Lorenz co-efficient, —.022 with percentage of households cultivating zero upto 2.5 acres, and .166 with agricultural labourers as percentage of all agricultural workers.

21 The average crop (and milk) price index for a village, expressed as a proportion of that for the whole set, is derived as a Paasche index.

$$P_i = \left(\sum_j p_j q_{ij} \times \frac{p_{ij}}{p_{oj}} \right) / \left(\sum_j p_{oj} q_{ij} \right)$$

i denoting villages and j crops (and milk), and p_{oj} the price of crop j for the set of villages as a whole.

On Cobb-Douglas and Related Myths

Jock R Anderson

N S Jodha

This note argues that continued analysis of economic efficiency in farming within a framework of cross-sectional production functions is bound to be an unrewarding activity for economists. Particular criticism is directed at the inevitable Cobb-Douglas function, supporting the apparently unheeded plea of R K Sau [10] against uncritical and uncritical use of this restrictive model.

ASHOK RUDRA [8] in his recent elegant and laudable piece of Methodological Doubting has performed a needed service in (i) chastising the mechanistic and uncritical users of least squares methods and (ii) exposing the conceptual irrelevance of most of the frameworks proposed for testing hypothesis about allocative efficiency in farming. We find little fault in these critiques except that Rudra has neither gone far enough nor taken himself seriously enough. On (i) we believe that the state of the art of fitting cross-sectional production functions is in practice at an even lower ebb than is implied in Rudra's criticisms of some specific curiosities in the reported work of the trend setters in this field. One needs to sniff around the unpublished studies in dusty dissertations or better still observe the computer-based antics of candidates in the death-throes of their allotted thesis time, to get a feel for the drought of economic thinking, for the arbitrariness and range of model specifications, for the misconceived elaborateness of the game of maximising R^2 or $\bar{R}^2$. In some institutions analysts have even been "aided" in their work by the fiendish technology of a computer programme that, given a mass of data, automatically fits and selects "best" equations of "satisfactory statistical" quality.

SURVEY USEFUL

On (ii) his survey of approaches to studying allocative efficiency was useful. The inherent limitation in most works (including those of Dillon and Anderson [4] and Srivastava and Nagadevara [12]) of focusing on only the "average" farmer rather than on each individual has also been observed by Anderson and Dillon [1] and Molster [7]. However, no mention was made of the untested proposition of Dillon and Anderson [4] that farmers, if they try to maximise anything, probably maximise something (multidimensional) other than profits. To sum up, Rudra still seems impress-

ed with the notion that farmers' allocative efficiency can be usefully appraised in a profit-maximising context and, further, he has little quarrel with the Cobb-Douglas (C-D) production function as an analytical device. His faith in a C-D world seems further declared by his exploitation of the C-D model in the promised follow-up Numerical Exercises [3, 5].

VIGOROUS CRITICISM

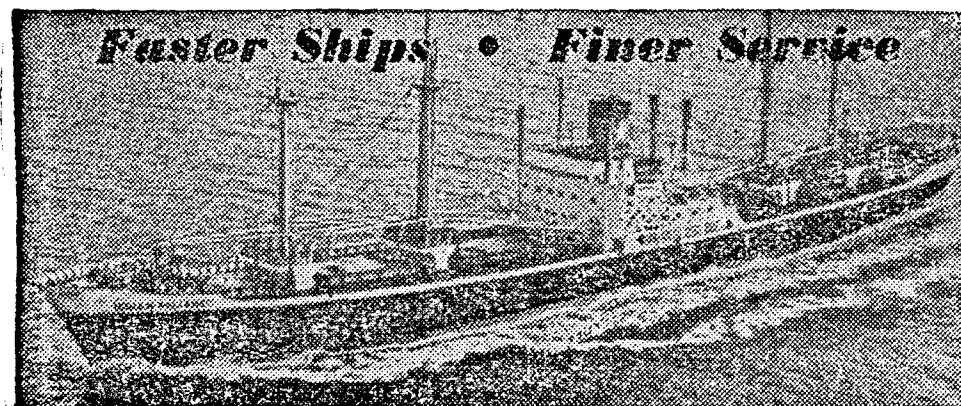
It is not easy to reconcile his vigorous criticism of the Allocative Efficiency school with his continued acceptance of the C-D function, especially when he has emphasised some of the practical difficulties such as the handling of zero inputs in C-D estimations — difficulties that have also been usefully explored by Johnson and Rausser [6] and Burt [2]. For the relative simplicity of estimation of C-D functions (which must surely explain the frequent resort to the form for melting down an embarrassing heap of data) one pays a high price in algebraic-economic restrictiveness — notably the presumptions of constant partial and total elasticities of production and of unit elasticity of substitution. The restrictiveness enters implicitly into his test of the hypothesis of allocative efficiency so that the conditional question he is asking is, effectively, "Do farmers maximise profits given that they are operating under a single C-D production function that is common to all members of some group [i.e., common C-D technology]?"

If, for the moment, we go along with the idea that it is useful to test hypotheses about farmers' allocative efficiency, then we might well enquire why it is necessary to accept the contamination of these hypotheses by the usual presumptions that (a) individual technology is C-D and that (b) the individual technology is common to all members of a group of farmers? Such an analytical route should, logically, successively and successfully test hypotheses concerning presumptions (a) and

(b) before exploring any conditional hypotheses about efficiency. Otherwise, the results of testing composite hypotheses dealing concurrently but not disaggregatively with efficiency, the nature of technology and the commonality of technology are bound to be inconclusive. In the event that such a composite hypothesis was accepted, could consumers of such research endeavour be persuaded that underneath the apparent efficiency there really does exist one common C-D production function? Historically, it appears that at least some members of the Allocative Efficiency school have been so persuaded, presumably on the fragile basis of "good" G-D fits as suggested by high R^2 statistics. But, non-believers in a C-D world (like the present writers) will demand some more convincing. Of course, if the composite hypothesis is not accepted, the Allocative Efficiency school can take comfort, along with the non-believers, in the knowledge that the simple C-D model was too simplistic to allow adequate appraisal of efficiency!

PRETTY EFFICIENT

To us, it seems that if we want to reinforce our belief that individual farmers are pretty efficient at achieving their objectives within their constrained operating environment, we must first take a close look at their objectives and the constraints, risks and markets they face before we can possibly appraise efficiency. The simplest imaginable case would be that of a farmer bent only on maximisation of yearly expected profits. For this farmer a well-specified linear programming model might adequately represent the productive set-up. Efficiency could then be crudely estimated as the ratio of achieved to expected planned profit but even here we should want to be cautious. If planned fertilisers and channel irrigation water prove to be unavailable to our farmer we surely do not want to penalise his efficiency on this account and so we should add further appropri-



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ate constraints in a new effort at benchmark planning. If the high black-market price of wheat has attracted our farmer to a different-from-plan crop area and market channel and realised price, we should not want to compliment him unfairly and should accordingly respecify the optimising model against which we are judging him.

In short, judging economic efficiency down in the farm, where life may be dull but is nevertheless highly dynamic and stochastic, needs to be a rather sophisticated business if it is to be done properly. When it is complicated by the further real-world considerations of farmers' multidimensional goal structures and their non-indifference to risk, the effort and sophistication required to model benchmark behaviour seem to us to be far greater than is warranted by the value of the answer to the question of whether or not farmers are efficient.

PROFITABLY ADOPTED

Issues related to those we have been discussing arise in discussions of the farm-size neutrality or otherwise of recent technological advances in agriculture. Proponents of the scale-neutrality of the new farm technology believe that since the technological package of advice, HYV seeds, recommended inputs of fertilisers, water and tillage is perfectly divisible it can be profitably adopted on farms of all sizes. By implication, new technology need not benefit large farmers more than small ones. However, this ignores the non-divisibility of farm-level infrastructure which, by influencing the flow of complementary services, determines the farmers' capacity to adopt the "size-neutral technology". Opportunities of new technology open to a small farmer are further restricted because of predominance of the informal as against formal channels of input supplies (including extension advice) in a scarcity economy. Its real impact may range from complete non-availability of inputs to their availability at higher acquisition cost (normal price + informal channel's margin) and at inappropriate time to the small man whose capacity to use informal channels in keeping with his resource base (including capacity to influence) is very limited. The same amount of an input (in a physical sense) availed of and used at different times for a crop may have different production implications, so that it may be appropriate to treat

such an input as qualitatively different inputs. However, such qualitative dimensions of quantitative details, which are very much part of the real world situation, seldom find place in the C-D scheme.

LITTLE HEED

Given such a real world situation, are questions about purely technological neutrality in the context of an arbitrarily specified cross-sectional production function [13] at all relevant? Other studies relating to size-neutrality of technology rest directly on C-D assumptions by fitting C-D functions and testing hypotheses about, say, the influence of size of farm on the marginal productivity of inputs in a technological package (e.g. [11]). There seems to be a pronounced tendency for such analysts happily to forget or to ignore the strong conditionality of their "findings" on the C-D assumptions and on the final specification involving the few "significant" variables. Similarly the legion of studies of returns to scale in farming pay little heed to the sensitivity of tests about total elasticity, to alternative model specifications. Indeed, the C-D model, with its implication of fixed total elasticity of production (which in turn fixes the long-run average cost curve at one only of falling, constant, or rising with increasing size [9]) seems particularly inappropriate in study of phenomena related to size of farm or farm.

Our few random thoughts can be summarised thus. We have severe misgivings about uncritical (and unskilled) use of simple algebraic models to underly tests of rather sophisticated hypothesis. The C-D function is especially suspect in this regard with its severely restrictive implications about technological relationships. Unfortunately, alternative and less restrictive models are not readily estimated. We suggest that we must await a more sophisticated analytical technology to test adequately more sophisticated hypotheses.

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Variations in Economic Behaviour and the Green Revolution

An Anthropological Perspective

Barry H Michie

This article seeks to examine certain assumptions regarding the behavioural aspects of economics, in particular production, and the implication that strategies of development based upon them may have for the course of development in India.

On a theoretical level the assumptions found in development literature with regard to what influences and conditions production decisions and performance among farmers will be examined.

Secondly, an attempt will be made to examine current trends of agricultural development with an eye to its differential effects and the consequences on the structure of agrarian society and mass participation in the development process as indicated by the problems of unemployment, displacement and income disparities.

Focus will be placed on the organisation of production, as it is that domain of economic activity which is being most affected, and out of which the new problems of development have emerged. It is also in that domain that solutions to these problems are to be sought.

AGRICULTURAL development in India, as in other areas of the world, is recognised as more than just a change in technology, practices and levels of production. As part of a concerted programme of induced change, agricultural development is seen as part of the effort to transform agrarian society, providing for an increased standard of living and social justice. Along with the gains of the Green Revolution during the past half of a decade, several rather disturbing trends and aspects of growth have begun to emerge; those of employment and income distribution. Until recently, these aspects have been largely ignored in the face of food production deficits which have heretofore been of paramount concern. It is proposed here that there is another reason for ignoring these aspects, that of certain traditional conceptual limitations in most development literature.

The object of this discussion is to examine certain assumptions regarding the behavioural aspects of economics, in particular production, and the implications that strategies of development based upon them may have for the course of development in India. On a theoretical level the assumptions found in development literature with regard to what influences and conditions production decisions and performance among farmers will be examined. Secondly, an attempt will be made to examine current trends of agricultural development with an eye to its differential effects and the consequences on the structure of agrarian society and mass participation in the development process as indicated by the problems of unemployment, displacement and income dis-

parities. Focus will be placed on the organisation of production as it is that domain of economic activity which is being most affected, and out of which the new problems of development have emerged. It is also in that domain that solutions to these problems are to be sought.

FOCUS ON PRODUCTION

Most studies of agricultural development have, understandably, been presented from the perspective of the agricultural economist. The primary concern has been that of food production. Most attention has been placed on manipulation of factors of production and market prices in order to boost output on an aggregate level. The key concepts have been profitability and modern technology. The indices of growth and progress have been by and large the spread and usage of new inputs like fertilisers, seed, pesticides, and irrigation with consequent increases in productivity. Most measurement has been done on the aggregate level with some notice taken of differential growth as between states or across districts.¹

The paradigm which has been most consistently used to explain growth includes as its main variables, modern agricultural inputs and price support systems to provide incentives to invest. The behavioural assumption is that the economically rational farmer will maximise the return on his agricultural activities to the fullest extent possible.² Shown how to increase production and gain more profit, the farmer is assumed to follow the more profitable path. This assertion seems to be borne out upon

examination of aggregate growth rates and trends over the past ten years. What is of interest, with great implications on the validity of the working assumptions, is the disaggregation of the data in order to see who "the farmer" really is, or, rather, to see if there are "several farmers" with differing behavioural characteristics.

The approach of manipulating production factors and prices has been dubbed the "production first" approach. This orientation, which has had a major impact on growth and production rates has tended to push other considerations to the periphery. This is most apparent in the notion of "generations of problems" as put forward by Falcon; production first, marketing second, and social third.³ Taken as a programme for tackling development problems as if in sequence, it compartmentalises the realm of production from that of other concerns. The problems of unemployment and income disparity are seen as somehow distinct and apart from that of production. It will be argued here, rather, that these problems arise from, and are being exacerbated by the form of production being engendered in the development process.

SOCIAL ASPECTS IGNORED

This orientation in its most extreme form further compartmentalises the social aspects of development from the realm of production. The "Asian Agricultural Survey" put out by the Asian Development Bank in its suggestions on guidelines for the formulation and implementation of policy asserts that there can be little patience with those who confuse social and political considera-

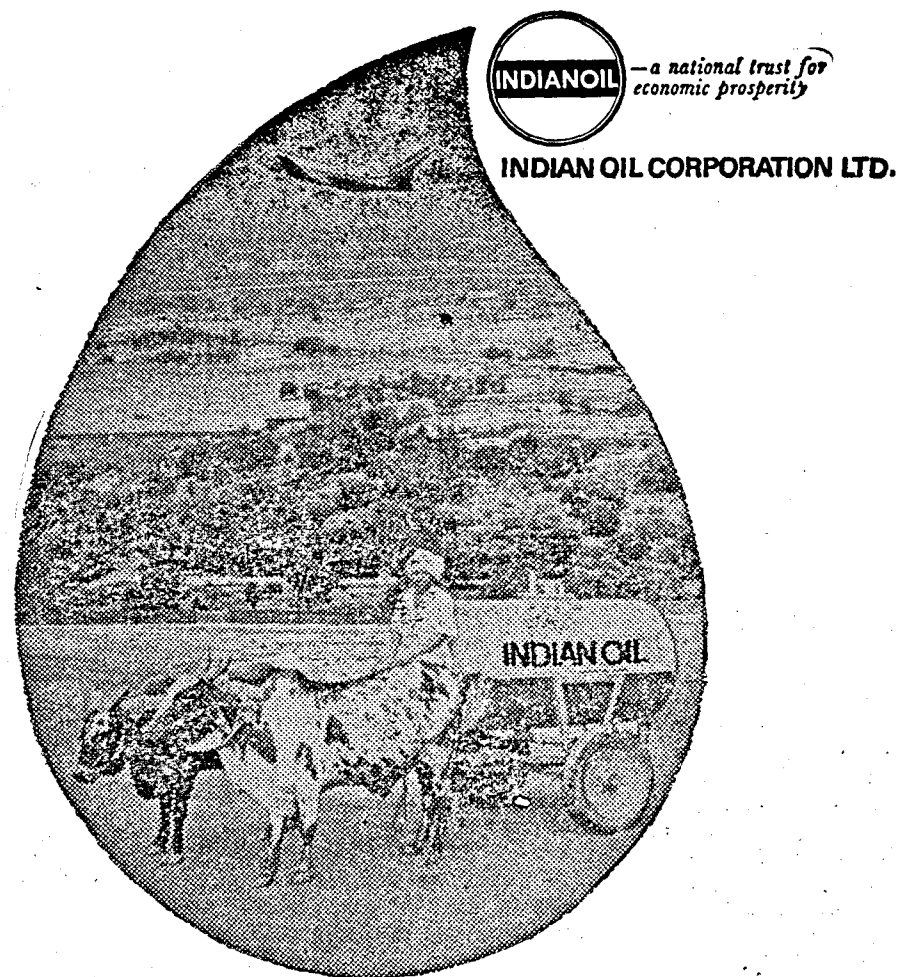
Reaching petroleum products wherever needed

With a nation-wide storage and distribution network, Indianoil maintains an uninterrupted flow of petroleum products to serve the nation.

With more than 200 installations, bulk depots and aviation fuel stations, and over

3000 petrol/diesel stations, Indianoil ensures that products are delivered wherever needed. All modes of transportation are pressed into service—coastal tankers, pipelines, rail tank wagons, tank trucks and tank carts. Indianoil marketed about 14

million kilolitres of products during 1971-72 thus meeting nearly 55 per cent of petroleum product requirements of the country—serving the nation in its development plans as well as in defence efforts.



is with those of production. Only latest findings of science, biological, mechanical, and modern management techniques are to be applied in order to achieve production goals. Again, a motivating force to be harnessed is that of profit maximisation. It is assumed that this is the primary value and all subscribed to by farmers everywhere, and that the profit motive is the dominant conditioning factor influencing production behaviour. The social problems of unemployment and income disparities are given low priority in the belief that disparities are inevitable and at distribution is easier once there is something to distribute.⁴

Formal economics has by and large been able to ignore the social and cultural characteristics of economic organisation in favour of building abstract formulations based on a limited set of assumptions regarding behaviour. The assumptions of economic rationality and profit maximisation are primary. The problem arises in empirical situations where these abstractions must be made concrete. Often the analyses and policy prescriptions flowing from them are based on vague notions of what actual economic behaviour, local norms and social features may be.

The premises underlying the concepts of maximisation and rationality are: (1) the multiplicity of ends (in the formal economic sense pertaining only to pecuniary or material gain), (2) the scarcity of means to fulfil desired ends, (3) the necessity of choice in allocating means to ends. In the allocation of means to ends, the object is to minimise cost and maximise profit. The element of choice, however, opens a whole range of difficulties. Choice is made in relation to valued ends and scales of preferences. The setting of goals and preferences is essentially a-rational. Rationality and maximisation can only be predicated on the means to, but not the ends of action.⁵ The assumption so prevalent in the development literature, that farmers everywhere are interested in improving their well-being, and thus will respond to altered profit potentialities obscures more than it reveals. The issue is not with the validity of the concepts but rather their application. Ends are multiple and motives and strategies for achieving them differ from individual to individual and from group to group. Maximising behaviour is exhibited to a range of goals, whether it be profit in the formal economic sense, or social position, prestige, power, or simply in the maintenance of relationships with friends and kin. One may maximise a number of satisfactions not

TABLE 1 : DISTRIBUTION OF LAND-OWNING HOUSEHOLDS BY SIZE CLASS—RURAL INDIA, 1960-61

Size Class (acres)	Number of Households			Area Owned			Average Holding (acres)
	No ('000)	Per Cent of Total	Cumulative Per Cent	('000) Acres	Per Cent of Total	Cumulative Per Cent	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
upto - 0.49*	19005	29.70	29.70	1732	0.54	0.54	0.90
0.50 - 0.99	4574	7.15	36.85	3330	1.05	1.59	0.73
1.00 - 2.49	11484	17.94	54.79	19064	6.00	7.59	1.66
2.50 - 4.99	10934	17.16	71.95	39401	12.39	19.98	3.58
5.00 - 7.49	6007	9.39	81.34	36783	11.57	31.55	6.12
7.50 - 9.99	3310	5.17	86.51	28517	8.97	40.52	8.61
10.00 - 12.49	2310	3.61	90.12	25551	8.04	48.56	11.06
12.50 - 14.99	1375	2.15	92.27	18852	5.93	54.49	13.71
15.00 - 19.99	1793	2.80	95.07	30708	9.66	64.15	17.13
20.00 - 24.99	1094	1.71	96.78	24152	7.60	71.75	22.08
25.00 - 29.99	622	0.97	97.75	16932	5.33	77.08	27.22
30.00 - 49.99	1005	1.57	99.32	37460	11.79	88.87	37.27
50.00 and above	437	0.68	100.00	35379	11.13	100.00	80.96
Totals	64000	100.00	—	317861	100.00	—	4.98

* Excludes households owning no land or owning less than 0.005 acres.

Source : National Sample Survey, Seventeenth Round, Reports 140 (1966) and 176 (1967).

all of which are necessarily "economic." The pursuit of such satisfactions involves an allocation of some sort of resource and this in turn can influence behaviour within a strictly delimited field of economic activity.

There is a tendency in development literature, however, to apply these concepts to only those goals concerned with pecuniary or material gain. Any type of behaviour which negatively influences the attainment of these ends is seen as non-rational and exogenous to economics. In a sense this approach has worked itself into a conceptual box from which it cannot extract itself without seriously examining the assumptions it makes about behaviour.

TRADITIONAL AGRICULTURE CONCEPT

The environment of values and preferences is indispensable for understanding economic behaviour. Goals of a non-economic nature will compete for resources which can be used in economic pursuits: for instance, a farmer who has ready access to capital and puts it into his daughters' marriages or in a new house instead of farm improvements. Most literature dealing with the Green Revolution and development generally does not attempt a specification of this environment. Valued ends and goals are assigned *a priori*, and with the assumption of all things being equal, social and cultural factors are written off as irrelevant.

An excellent example of this is found in the concept of "traditional agriculture" propounded by Theodore Schultz.⁶ Schultz's basic thesis can be stated succinctly: the poor but efficient farmer. This concept has had a great influence

on development thought and also provides a basic model for describing agriculture in developing countries as well as providing an explanation for stagnation and the best way to effect change. As I understand this concept, traditional agriculture refers to a state of equilibrium in which optimum efficiency, given the technology and resources at hand, is attained and perdures through time because (1) the level of the "arts" — technological and managerial — remain constant, (2) the level of motives and preferences for holding and acquiring factors of production as sources of income remain constant, and (3) these two states remain constant long enough for the marginal productivity of additional factors and motives and preferences for acquiring them to arrive at an equilibrium. The second category, motives and preferences, is explained in a strange way. They remain constant in the state of equilibrium because "it is difficult to conceive of developments" that could change them if, once equilibrium is reached in the third stage, there is no incentive to save and invest in production factors when the margin of profit is low or non-existent.⁷ From this it can be inferred that the only conditioning factor influencing economic behaviour which can be called cultural, i.e., preference, motive, or value, is that of pecuniary profit or material gain. This is reinforced by assuming that the production behaviour of a given group does in fact reach an equilibrium in which everyone is as efficient and productive as his technological, resource, opportunity, and risk constraints allow him to be.

The traditional agriculture concept

has been based on a limited number of empirical examples, two of which Schultz draws from India. One concerns the response of Punjabi cotton farmers to price changes. This is considered indicative of traditional farmers' response to price incentives.⁸ It must be pointed out that cotton farmers, by the very fact that they engage in cash cropping and sell their product on a monetised market have made a commitment that other farmers might not make. A peasant household engaged in subsistence grain cultivation is little affected by prices on a monetised market. A farmer producing for his own consumption and engaging in limited local exchange is less likely to respond to price movements on a market in which he is at best only marginally participating. Cotton farmers respond to market price fluctuations because they are directly involved in the market and price represents the value they are maximising. What may be of interest in their case is the variation in output and efficiency among them even given their commitment to the market. This, however, is not discussed.

Senapur, UP, the second example, is described as materially poor but efficient. To the question, "Are the people of Senapur realising the full economic potential of their physical resources?" the answer cited by Schultz is "From the view of the villagers the answer must be 'Yes' for in general each man comes close to doing the best he can with his knowledge and cultural background."⁹ The complete quotation drawn from the original source somewhat modifies this evidence.

From the point of view of the observer, appraising the resources with an entirely different set of standards than those applied by the community, and answer must be 'no'. The large hoards of gold and silver... Capital diverted [for] ceremonies and conspicuous consumption... [points to the fact that] Senapur people, as a whole, do not suffer from a paucity of resources... but the present organisation and use of their physical resources leaves a wide gap between the income that 'is' and the income that 'might be'. The explanation of this gap is not to be found in the analysis of the physical resources themselves, but must be sought in the substance, organisation, and form of the community of men.¹⁰

In a telling comment from the same source, the author relates his difficulties in eliciting precise answers regarding production allocation with which to construct a detailed input-output flow analysis. "This confusion between production expenses and household outlays made the job of building a realistic matrix picture of village inter-

TABLE 2 : DISTRIBUTION OF HOUSEHOLD OPERATIONAL HOLDINGS BY SIZE CLASS —RURAL INDIA, 1960-61

Size Class (acres)	Estimated House- holds (000)	Per Cent of Cultivating House- holds	Per Cent of all House- holds	Estimated Area Operated (000 acres)	Per Cent Total Area	Total Persons (000)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
0.00*	19030	00.0	26.3	0000	00.0	86016
upto - 0.49	7024	13.1	9.7	1083	0.3	19035
0.50 - 0.99	4355	8.1	6.0	3211	1.0	19989
1.00 - 2.49	11326	21.3	15.6	19026	5.8	54025
2.50 - 4.99	11717	21.9	16.2	41991	12.7	61749
sub-total	(53452)	(64.4)	(73.8)	(65311)	(19.8)	(240814)
5.00 - 7.49	6537	12.2	9.0	39529	12.8	38421
7.50 - 9.99	3483	6.5	4.8	29804	9.1	21351
10.00 - 2.49	2492	4.7	3.5	27456	8.3	16298
12.50 - 14.99	1438	2.7	2.0	19629	6.0	9635
15.00 - 19.99	1832	3.4	2.5	31360	9.5	12659
20.00 - 24.99	1088	2.0	1.5	23912	7.2	8051
25.00 - 29.99	629	1.2	0.9	17100	5.2	4554
30.00 - 49.99	1047	2.0	1.4	38919	11.8	8208
50.00 and above	468	0.9	0.6	36565	11.1	4086
Totals	72466	100.0	100.0	329585	100.0	363779**
	53436†					277 763†

* Households operating no land or less than 0.005 acres.

** Due to rounding errors the column total will not agree with this number.

† This figure calculated by excluding those operating no land or less than 0.005 acres.
Source: National Sample Survey, Seventeenth Round, Report No 176 (1967), p 49.

action a practical impossibility."¹¹ This is of significance as it points to a different type of economic strategy and organisation which is no more or less rational and efficient once the notion of "rational man" defined as the maximiser of one kind of value, pecuniary profit and material gain, is recognised as too narrow.

ASSUMPTION OF UNIFORMITY

The traditional agriculture approach assumes a uniformity of response and behaviour. This is due to the narrow conceptualisation of preferences, maximisation, and rationality. It does not take into account variations which may occur among farmers as to forms of economic organisation and goals to be maximised. It also fails to take into account striking variations in efficiency and productivity that occur even among farmers having equal access to resources and opportunities, an aspect of agriculture amply demonstrated for the United States as well as India.¹²

Variations in efficiency and levels of production are hidden by the use of aggregate data. Out of the undifferentiated aggregate, "the farmer," the paragon of economic efficiency and rationality is born. The profit motive is proffered as the explanatory device for understanding his behaviour and on the gross aggregate level this seems to work well. This loses much of its explanatory value when the data are broken down and the scrambling after

profit as an overriding behavioural norm may be operative for only a fraction of the total number of cultivators involved. Even then it must be imputed. The real proof of the concept lies in testing for variations in production efficiency among farmers having equal access to inputs and opportunities and also in looking at the alternative strategies which may not be as remunerative as the optimal one open to these farmers. Unfortunately there have been few studies of agricultural organisation and behaviour on these lines.¹³

One shortcoming of the "production first" and "traditional agriculture" approaches is the inability to explain such variations in behaviour. This is the focus of concern which Kusum Nair investigates in "The Lonely Furrow", a study of production variability in the United States, Japan, and India. Implicit within the study is Schultz' thesis; but it is treated as an empirical question rather than a valid assumption.

Nair discovers that behind the facade of the American farmer as the paragon of economic rationality, there exists a wide range of variation both in levels of productivity and efficiency. The data show that only 14.8 per cent of US farmers earn over \$20,000 per year and that they enjoy 63.4 per cent of the total farm receipts. Fifty-five per cent of the farmers earn less than \$5,000 and they obtain only 8.2 per cent of the total farm receipts. Three and seven-tenths per cent of all farms occupied 49.2 per

cent of the total farmed area; one-fifth of the farms marketed 72 per cent of all produce and controlled three-fourths of all farm assets.¹⁴

Along with this variation in production levels and control over resources, data are produced which indicate variations in efficiency as well. This is done with the use of case studies which compare the careers of farmers who began with the same or similar resources and opportunities but who have pursued divergent strategies. One set of cases compares farmers engaged in dairying within the same region. All had equal access to extension, credit and technology, began their careers with similar resources and educational backgrounds, and operated under identical constraints and incentive of public policy and private institutions. At the time of the study, these four farmers showed wide variations in income, value of assets, quality of produce, techniques of production, and standards of living. These four farmers due to differences in motivation and aspiration had taken differential advantage of the resources at their disposal and the opportunities open to them.¹⁵ Other cases demonstrating the effect of non-economic motivations influencing economic behaviour come from wheat farmers. One refused to make use of irrigation facilities because "it's too much work"; another is unwilling to take water from the canal if his allotted time falls on the Sabbath.¹⁶ Obviously motives other than profit incentives are operating in these cases.

NOT BY PROFIT ALONE

With Japan the author discovered that levels of production and efficiency were remarkably even and near optimum levels in all cases. Measured in terms of units of land, there is virtually no variation in output. Furthermore, the Japanese farmer outproduces the American farmer crop for crop if measured in units of land. This is essentially a function of intensive hand labour input — almost entirely family labour — on small holdings (86 per cent of Japanese farms are less than 0.5 hectares, only 4 per cent exceed 2 hectares, and maximum legal holding is 3 hectares), and the use of inputs neutral to the size of farm such as fertilisers, pesticides and high-yielding seeds.

The question the author asks is why do Japanese farmers produce uniformly at optimal levels while on the other hand US (and Indian) farmers do not. The answer lies, as the author discovers, in a total system of constraints as well as incentives. Using historical data, she

traces the development of agriculture in Japan. The basic production pattern was established in the Tokugawa period; intensive hand labour on small farms was the consequence of a hand tool technology and population pressure. Added to this was a high rate of taxation and rent demand. There were also strict sumptuary regulations and control over production decisions. The minuscule scale of farming in conjunction with high demands on the farmers' product left the farmer with little option other than to produce the maximum amount from his piece of land or get out.

Presently the demands made upon the farmer in the form of taxation and rent are not exorbitant, nor are there sumptuary regulations, but the value placed on squeezing the last pound of produce possible from the land remains. A farmer's social position in large part depends upon his cultivating technique and level of production. To produce less than is humanly possible is unthinkable.

The conclusion the author makes is that production performance is not determined necessarily by profit incentive alone. It is, rather, a constellation of variables — economic, social, and cultural — which influence farmers' economic behaviour. If farmers' goals and motives are dissimilar, their performance on the farm will vary. Given a number of alternative production strategies and levels of efficiency within which a farmer can perform and still remain viable, there can be no certainty that all farmers will opt for one and the same production performance. The effectiveness of a profit incentive will differ with aspirations and will compete with other incentives of a social and cultural nature. Variations will occur and persist as long as there is a range of viable alternatives present. Production efficiency is determined not by potential profitability alone but also by the floor of economic and technical feasibility and social expectation below which it is impossible to farm.¹⁷

CHOICE OF STRATEGIES

For any given farm economy there can be postulated a range of viable alternate strategies that a farmer can pursue. These are delimited by the optimum level of efficiency and production that is feasible given resources and opportunities at hand, and also by a minimum level below which a farmer cannot perform and still remain viable. The only obligation a farmer has to meet in his economic performance is to fall within the range of alternatives before him. The manner in which he fulfils

his obligations is influenced, as we have seen, by more than strictly economic considerations. Where the range of economic alternatives is wide, performance may be expected to vary. Where it is narrow, it will be more uniform.

If, as is argued here, economic behaviour is influenced by competing goals of a "non-economic" nature, and economic actors may try to maximise a number of goals at the same time, then the concepts of maximisation and rationality must be accepted as applicable to a wide range of activities. The problem then becomes one of determining what is and what is not economic. "[I]f we accept as a definition of economics that it is the study of the allocation of scarce resources among alternative ends... almost every human action can be seen as involving a decision concerning the allocation of scarce resources [including time] among alternative ends; every human act is then an economic act."¹⁸

One formulation which proves fruitful is: "The economy is that field of men's culturally mediated activity in which they interact with their physical and social environment in the calculated pursuit of acquiring a living."¹⁹ The calculated pursuit of a living implies the purposeful and rational weighing between alternative courses of action to achieve at least certain minimal ends. Economic activity is culturally mediated, that is shared values and beliefs influence a decision maker as to what and how much is important to achieve or gain. The interaction with the physical and social environment ties in ecological, technological, and demographic considerations as well as organised relations between people. Finally, the making of a living limits the field of economic behaviour to material ends needed for sustenance and maintenance and whatever the material aspirations or goals of the unit under study. (This does not imply that aspirations or goals remain static over time.)

For purposes of analysis it is correct to postulate material or pecuniary goals as the object of economic behaviour. But to dismiss as irrelevant other motivations, goals and values operating in other fields of activity which overlap with the economic field, competing for "economic" resources is too narrow an approach.

"Anthropologists have long argued among themselves as to the applicability of formal economic theory to the societies they study. There is one basic point of agreement, however. Economic organisation and behaviour — production, exchange, distribution — is a form

of social action. This involves the combination of various kinds of human services and non-human goods in order to meet given culturally defined ends.²⁰ A particular economy is socially organised to the extent that it involves relationships between persons having more or less specific rights, duties, and obligations with regard to one another.²¹

UNTENABLE DICHOTOMY

The realm of production provides one point of convergence in which economic and social behaviour converge. With regard to the "generations of problems" of the Green Revolution, the dichotomisation of social and economic phenomena is untenable. The relations into which people enter for purposes of production and the manner of their participation in this process has far-reaching implications for social organisation as a whole as well as for the problems of unemployment and disparities in income and wealth.

In the "traditional agriculture" and "production first" approaches the farm is conceived of as a commercial enterprise. It is contended here that this is not the dominant form of economic organisation in Indian agriculture. Perhaps only a small percentage of those engaged in agriculture can be delimited as commercial farmers. The overwhelming majority approach the subsistence peasant form of organisation.

The peasant form of organisation partakes of some of the characteristics of the commercial enterprise but also displays aspects peculiar to itself. It is a household, at once a production and consumption unit, producing primarily for its own consumption, mainly using its own rather than hired labour, engaging in only limited exchange, and participating only marginally in any widespread monetised market network. It is an economic unit which can be typified by a paucity of resources which must be allocated to a number of ends, including those lying outside a strictly economic field. The peasant attempts to produce enough to balance his own requirements against demands made upon his time, energy, material resources, and product coming from within and outside the household.²² The form of strategy employed is one of balancing those demands, of fulfilling various commitments to at least some minimal level, all of which affects the strategy employed in production. This is supported by the difficulty encountered by some scholars (as mentioned above), in eliciting budget breakdowns for production expenditures in peasant households. The "confusion" demonstrated by the

respondents in being unable to separate household outlays from production expenditures is indicative of an organisational pattern different from that of the commercial enterprise. The "confusion" is in the mind of the observer who is applying different categories and perspectives to the peasant than the peasant applies to himself.

The first demand the peasant must meet is a caloric minimum required to sustain each member of the household and to keep his livestock in good condition. For those whose operational holdings are too small or who lack other resources, this demand may be met by outside work with payment in either cash or kind.

The second demand is that of maintenance and replacement. The peasant must produce or obtain in some manner an amount over and above his energy requirements in order to provide for the next season's seed and enough for the servicing, repair or replacement of productive equipment and household necessities he cannot provide for himself.

These then, are two absolute demands which must be met by the peasant in order to sustain life and remain viable. These represent a floor below which production and/or income cannot fall. The second demand is somewhat more flexible; it is subject to cultural definitions of what the minimum necessary might be. "Like the Greek philosopher Diogenes, a man can rid himself of his last cup, since he need not suffer thirst as long as he can make a cup of his hands. But once... cups are a part of man's cultural expectations, they become more than that — they become something he must commit himself to obtain."²³

The peasant as all men, also maintains social relations with fellow neighbours and kinsmen. The maintenance of some modicum of order and stability in society is also necessary for carrying out the business of making a living as well as ensuring such things as rearing and enculturating new members of society. It is necessary too to enlist the aid of others to help perform tasks and obtain services the household does not provide for itself. Such social relations are surrounded by symbolic constructions which serve to justify, regulate, and explain them. Ceremonial requirements must be met at least according to some culturally determined minimum. Most importantly, this affects the peasant's economic strategy. The expenditure for meeting social obligations and ceremonies comes out of time, energy, and capital which might be spent in agricultural production. In like manner,

these expenses may provide an incentive to produce more, in order to pay for them through profits earned in production. However, where resources are scarce and the obligation to fulfil ceremonial functions great, investment in productive activities will suffer.

POWER RELATIONSHIPS

There is also a demand for rent which must be met. The peasant is involved in asymmetrical power relationships with dominant groups who have, in effect, a claim on part of his product. On the local level this may be manifest in the landlord-tenant relationship. In a wider realm it is ascribed to the demands of the state and its capacity to extract a portion of the peasant's product in the form of taxation.²⁴ In the case of India, the number and percentage of farms falling into the former kind of relationship is quite large, as will be discussed below. With regard to extractions by the state, however, India is an exception. There is virtually no tax on agricultural production and income and only a nominal land tax. Of importance, however, is the capacity of the state to influence and manipulate labour through policy (e.g. through taxation), the strategy a farmer might pursue by changing the alternatives before him.

The general features of agrarian social organisation in India are well known. Social organisation is characterised by a marked degree of social stratification, division of labour and a hierarchy of status position. Society is segmented into endogamous caste divisions which often coincide with occupation as well as ritual divisions. There is typically a high degree of cultural elaboration surrounding inter- and intra-caste relations in the form of rules, sanctions, and rituals which demonstrate, maintain, and legitimise those relations.

For the vast majority of people in India, economic organisation is built upon agriculture. One or several caste groups usually hold the dominant economic and power position through the ownership of land and control of capital. The crucial organisational features are those relationships between landlord/landowner, tenants, artisans, and labour. These are not exclusive categories as there can be various permutations combined in the same person. Those operating farms which do not produce enough to meet the required minimum for meeting the various "demands" will work as labourers on larger farms to meet their requirements. Likewise, the landless will work as agricultural labour as well as perform other economic activities, e.g. the Chamars and Regars of

North India who work leather as well as provide the bulk of agricultural labour.

If one were to assume that those who meet the criteria of paucity of resources to fit the peasant category are those operating farms of less than ten acres (the lowest ceiling recommended for the best of land), then some 83.1 per cent of all farms in India fall into this category. Those that might be considered deficit farms are below 5 acres or 64.4 per cent of the total. These latter have to make up the deficit by selling their labour or getting other outside work; considered with those operating no land, they constitute 73.8 per cent of all households in agriculture.²⁵

GREAT VARIATIONS

It is well known that variability in levels of productivity and efficiency has been the norm in Indian agriculture. The peasant type of organisation itself has shown great variation not only from region to region, but also among peasants within the same locale. It seems there have always been good farmers and poor ones.²⁶ This reflects not only differences in resources and opportunities, but also differences in motivation and consequent production strategies.

This is due to the wide range of viable alternatives within agriculture. With no income-tax and a nominal land tax there is very little overhead. The subsistence farmer can survive as long as he meets his minimum requirements, regardless of the potential return he could make from his resources; neither does he come into competition with the commercially minded farmers. For those with deficit holdings or no holdings at all, they can currently survive by selling labour to the larger farmers. This environment will not last forever; the floor of viability will be raised by labour displacing technology through the mechanisms to be outlined below.

The differential in yields of new varieties of grain also indicates variability in productivity and efficiency. This is in spite of the high profit potentialities of the new methods and seeds. The average yield for the new varieties of wheat for the year 1967-68 was 2,365 pounds per acre although the range went from below 2,000 pounds to over 6,000 per acre. (In Pakistan, the yield was 1,600 pounds for the same year.)²⁷

What is significant is that Indian agriculture has so far been able to accommodate this wide range of behaviour and efficiency, from the subsistence farmer just trying to get by, to the rich peasant 'kulak', to the few entrepreneurs running their farms as business enter-

prises. The Green Revolution is producing changes in this state of affairs. The results, however, have been the compounding of economic disparity between the vast majority at the lower end of the scale and the few at the top. The widening gap has been accompanied in many instances by the absolute deprivation of those at the bottom.²⁸ This trend is reinforced by the skewed distribution of land resources and the type of technology being introduced.

In the absence of up to date material, data collected in 1960-61 are used to indicate the distribution of land holdings and farm sizes. Although land is concentrated in relatively few hands, the size of land holdings on the average is quite small. Out of 64 million land owning families, 86.51 per cent own less than 10 acres. Out of a total of 317 million acres of farm area, this group owns 40.52 per cent. Conversely, almost 60 per cent of the land is owned by less than 14 per cent of land owning families. The rural landless and those owning less than 0.005 acres are not included in these figures, consequently they are over representative if all households dependent on agriculture are to be included.²⁹

The average size of farm (operational holding) is 4.55 acres. The size of farms and the total area covered by each category is, however, quite varied. Of the 72.5 million farming families in India, 87.5 per cent operate no land or farms of less than 10 acres; these covering 41.5 per cent of the total farm area. Conversely less than 13 per cent of all farm families operate about 58 per cent of the total farm area on farms larger than 10 acres.³⁰

INEFFECTIVE LAND REFORM

Despite tenancy and land reform legislation, there is evidence that no change has occurred to offset this lopsided feature of agrarian organisation, and nothing much of benefit has accrued to tenants and landless labour. Often the very legislation which was meant to protect the rights of the tenant has worked to his detriment and to the benefit of larger landowning groups. Land ceilings have been easily circumvented through dispersal of titles among family members and provisions for resumption of land for self-cultivation of ten facilitates the eviction of tenants. Most tenancies are oral contracts which have no legal basis in court where a length of occupancy is a requisite to tenancy rights. The large landlord also has the balance of power and resources to win a dispute. He is able to evict his tenants fairly much at

will and/or shift them from plot to plot to make sure there can be no claim to occupancy.³¹

The point here is twofold. First, landowners are not effectively restricted from evicting tenants. Secondly, the organisation of agricultural production is currently changing, requiring less of the services of tenants and labour. This is due to a change in the technological base which has made use of bullock power and hand labour. The question then arises as to what consequences a change in the technological base will have upon the landlord/landowner, tenant, artisan and labour relationships. It will be the small percentage of entrepreneurial farmers who will be of significance in this change. Given the ability of landlords to evict tenants and resume their holdings for personal cultivation, it is reasonable to assume they will do so. Such farmers will dispense with large amounts of hand labour inputs when it is possible and to their advantage. Their advantage lies in high price supports enhancing the continuing profitability of agriculture. This trend will also dispense with the services of artisans who make and repair hand and bullock drawn implements. With regard to the social organisation of production, lines of vertical integration based upon participation in the production process will be broken. Furthermore, aside from the changed structural relationships, the number of persons displaced from the production process and the agrarian sector will be of outstanding proportions.

The new inputs and practices being introduced are aimed at the farmer at large but critical types are designed in such a manner that only the large farmers can take advantage of them. New seeds, fertilisers, and pesticides have been introduced, inputs which have opened up new potential levels of productivity and are neutral to the size of the farm. The full genetic potential of the new varieties can be realised regardless of the size of farm, and in fact there is evidence that yields per acre are higher on smaller farms than on larger ones.³² The type of mechanisation being introduced, however, is not neutral to scale (except perhaps for irrigation pumps). While it is true that machines can be manufactured of any size and horsepower, the ones being introduced and for which credit facilities are provided are designed for large-scale farming. Furthermore, only large farmers can avail themselves of these facilities as certain minimum land assets are a prerequisite. In addition credit for other inputs also tends to flow to larger farm-

ers as they have more collateral and credit-worthiness.

EFFECTS OF MECHANISATION

The introduction of large mechanised equipment will have two effects. One is the displacement of tenants and labour. The other is the increase in average size of farms, displacing small landowners. While a farm of a few acres can make use of a power hand tiller, this type of operation cannot compete on a commercial basis against a large farm operated by a 50-55 horsepower tractor. Large-scale farming is becoming more attractive and land values have risen as a consequence. It is often very tempting to a small owner to sell his land and realise a certain amount of cash even if not forced out by competition.³³ The way small subsistence landowners — those not running their farms as a commercial enterprise — will be forced out is through the decreased demand for their excess labour and lesser amount of land available on lease. Unable to fulfil his living requirements from his own land and having these two venues of income cut off, he will have to leave agriculture or expand his holdings to the detriment of someone else. Land ceilings will not keep this from happening. Though there is a ceiling on ownership, there is none on rented land. Those owning deficit holdings may come to form a large body of petty landlords, renting their land at distress rates to larger farmers with more resources.³⁴

Mechanisation has so far been applied to the plowing and preparation of fields, and to some extent threshing. This has had little negative effect on labour inputs. Rather the immediate impact of the bio-chemical and irrigation improvements has been to expand the demand for labour through multiple cropping. What former tenants have lost, they have been compensated for in the short run, through increased farm wages. However, with the expansion of mechanisation into all the cultivating and harvesting operations, the effect will be labour displacing.³⁵ Given the capital expenditure a farmer makes for a tractor, it is reasonable to assume he will mechanise as many operations as possible to make full use of his investment. Such a farmer will also try to expand his production unit for the same reason.

Assuming then that the larger farm will come to predominate through the elimination of smaller units, a rough projection can be made as to the structural alterations and displacement of persons from the agrarian sector. If due to resumption of land and displacement

through economies of scale all farms below 5 acres are eliminated and absorbed into larger units, some 34.4 million or 64 per cent of all farming households will be affected. If they and the landless are no longer needed to supply labour, the number of households displaced from any participation in agriculture will be 53.4 million or 74 per cent of all agricultural households. This would affect less than 20 per cent of the land.

The question then arises as to where these households will get an alternative source of livelihood. The number of people affected by such a shift would be about 240 million (as of 1960-61), which includes workers and dependents. The landless and small ex-farmers are the least likely to fit into other sectors of the economy, even if there were openings. They, by and large, do not have the training, education, or resources to fit into industry or start their own business. Massive public works are at best stop-gap measures and are in the end self-defeating if a major portion of the population is essentially on a dole. The idea that these people will all be absorbed into small local agro-industries is short sighted. There is the problem of the sheer numbers involved. Industry, more than agriculture, operates under the constraint of economies of scale which will force out small workshops over time unless they are heavily subsidised. Competitive industry cannot be labour intensive. Since the flow of population will be towards the cities, it is surprising that not more studies have been made with regard to its impact on urban areas and its desirability.

DANGER OF POLITICAL INSTABILITY

The time element is of importance; the rate at which displacement takes place. This need not be a slow process. Displacement is in direct relation to the rate of mechanisation. This depends on the supply, either through importation or domestic manufacture of the full range of large-scale equipment which can be applied to all operations. Such a trend has occurred in so-called developed countries. For instance, there was a large outflow of population from the agrarian sector in the US during the 1930s and 1940s as US agriculture mechanised. The problems of urban unemployment and unrest in the states need no elaboration. In India, the consequent social problems of unemployment and disparities in income will be increasingly exacerbated as this trend accelerates.

The change that such a development trend engenders will be to completely

alter the structure of agrarian society. With the displacement of most small and tenant farmers and landless labour, only large independent farmers will remain with a much reduced labour force. It will also alter economic and political ties. Displacement without opportunities of employment in other sectors will create a class of persons who have nothing, and consequently nothing to lose. They will become a free-floating political resource. The kinds of alliances they will enter into and the kind of pressures, if once mobilised, they can bring to bear on the political system at large is fairly speculative. Given the experience of other countries, such as Mexico, the form it will take will most probably be violent. This is essentially the conclusion of Frankel's "India's Green Revolution". Given the trend of large-scale mechanisation, larger farms, and displacement, the ultimate consequences will be political instability and/or revolution.³⁶ Frankel sees no other outcome, primarily because of her assumption that large-scale farming is the only way to modernise agriculture. There are, however, several roads to agricultural modernisation. The control of technology and radical land reform, such as in Japan and Taiwan, is an alternate route.

One recent sign of change in thinking is in the "Report of the Committee on Land Reforms". This document recognises the problem of displacement, disparities in income, and unemployment. These are linked to the development process currently under way. They have "been particularly noticed in areas where the yield break-through has been significant".³⁷ Furthermore, it ties these problems not only to the demographic situation in which people must stay on the land in the absence of employment in other areas, but also to the organisation of production through restructuring land tenure systems without necessarily harming productivity.

RELEVANCE OF JAPANESE EXAMPLE

The example of Japan cited is particularly relevant to the Indian situation of high population and limited land resources. A land reform programme similar to Japan's would solve two of the three major problems facing India today: employment, by keeping people on the land engaged in agriculture, and income distribution, by equitably distributing land, the basic factor of production. Land reform alone cannot solve the third problem, productivity. This can be tackled by making extension facilities and improved inputs available to all farmers; combining this with fiscal policies (e.g. taxation), which raise the

floor of economic viability. This was successfully done in Taiwan. Equal distribution of land will be one means of reducing differential access to inputs. It will also eliminate the comparative advantage of larger farmers over smaller ones and lead to a wider participation in the development process.

The report's recommended ceilings, however, will not stem the displacement of persons from agrarian areas. If farms were of an average of 10 acres (the lowest ceilings recommended for a family of five on the best of land), there would be only 32.9 million farms. This would be a decrease of 20.5 million farms, the households of which if included with the landless comes to 39.5 million households (as of 1960-61 figures).³⁸ For other types of land there are, of course, higher ceilings — up to 54 acres which would mean even fewer farms. As was pointed out earlier, there is no ceiling on rental of land. Ceilings on ownerships will not necessarily mean a ceiling on farm size. If the average size of farm should increase to 18 acres (the highest recommended ceiling on the best of land), then only 18.3 million farms will remain, displacing 54.1 million households from agriculture. It is possible that relatively few farmers on large farms can produce all the food India needs. Warehouses can be bulging, yet due to displacement and consequent unemployment a major portion of the population will be unable to purchase the grains. India with its limited resources cannot afford to put them on a welfare dole; indeed, it would not be possible in a wealthy country such as the US.³⁹ Even if this current land reform proposal can be implemented and enforced, the problems it seeks to rectify will barely be touched, particularly if mechanised technology is not also controlled. Mass participation in agricultural development will still remain an elusive goal.

This discussion has addressed several points. The assumption formal economics makes regarding economic behaviour has been examined and is found in need of serious modification, particularly regarding the sort of influences which come to bear upon farmers in their production decisions. This directly relates to effecting mass participation in and equitable sharing of the benefits of development. The separation of production from concerns of employment and income distribution has been found untenable. It is precisely the organisation of production, the combination of human beings and physical resources that determines to a major extent patterns of employment and income distribution. Finally, trends and shifts in agrarian social organisation and demography with regard to displacement have been ex-

amined and their ultimate consequences have been tentatively outlined.

The social problems of the "third generation" are being felt more and more. Thankfully, there is some new thinking on development, discarding the old assumption that aggregate growth must be benefiting everyone. There is an increasing focus on what is being produced by whom and to whom the benefits are or are not flowing. Also the problem of how best to effect mass participation in development without displacement is being addressed. Hopefully programmes of development can be engineered to bring this about. The social and political costs of alternatives other than greater equity through equitable economic participation are too high for any country to bear.

Notes

- 1 Exceptions to this can be found in: Frankel, Francine, "India's New Strategy of Agricultural Development: Political Costs of Agrarian Modernisation", *The Journal of Asian Studies*, Vol XXVIII, No 4, 1969; Frankel, F., "India's Green Revolution: Economic Gains and Political Costs", Princeton: Princeton University Press, 1971; Nair, Kusum, "Blossoms in the Dust", New York: Frederick A Praeger, 1961; and Nair, K., "The Lonely Furrow: Farming in the United States, Japan, and India", Ann Arbor: University of Michigan Press, 1969. Ladejinsky although a development economist is also an exception, particularly with his concern for tenant and landless displacement. Ladejinsky, Wolf, "A Study of Tenurial Conditions in Package Districts", New Delhi: Planning Commission, 1965; Ladejinsky, W., "The Green Revolution in the Punjab", *Economic and Political Weekly*, Vol IV, No 26, 1969.
- 2 For example: Asian Development Bank, "Asian Agricultural Survey", Manila: Asian Development Bank, 1968. This type of analysis in its glossiest form can be seen in Blair, Harry, "The Green Revolution and 'Economic Man': Some Lessons for Community Development in South Asia", *Pacific Affairs*, Vol XLIV, No 3, 1971.
- 3 Falcon, Walter, "The Green Revolution: Generations of Problems", mimeo, 1970.
- 4 Asian Development Bank, *op cit*, pp 42-46, 60, 116.
- 5 Srinivas, M N, "Social Change in Modern India", Berkeley: University of California Press, 1969, p 52.
- 6 Schultz, Theodore, "Transforming Traditional Agriculture", New Haven: Yale University Press, 1964.
- 7 *Ibid*, pp 31-32.
- 8 *Ibid*, pp 50, 164.
- 9 *Ibid*, pp 45-46.
- 10 Hopper, David, "The Economic Organisation of a Village in North-Central India", (Ph D dissertation from Cornell University), Ann Ar-

bor: University Microfilms, 1957, pp 161-162.

11 *Ibid*, p 351.

12 Nair, *op cit*, 1969.

13 The author is currently doing his field research for Ph D in anthropology on this topic.

14 Nair, *op cit*, 1969, pp 10, 236-237.

15 *Ibid*, pp 1-14.

16 *Ibid*, pp 37-63.

17 *Ibid*, pp 220-234.

18 LeClair, Edward and Schneider, H (eds), "Some Further Theoretical Issues", *Economic Anthropology*, New York: Holt, Rinehart, and Winston, 1968, p 455.

19 Cook, Scott, "Economic Anthropology: Problems in Theory, Method and Analysis", (to appear in "Handbook of Social and Cultural Anthropology", Honigsmann, ed, Skokie, Illinois: Rand McNally) mimeo, 1970, pp 37-38.

20 Firth, Raymond, "The Social Framework of Economic Organisation", "Elements of Social Organisation", third edition, Boston: Beacon Press, 1961, p 123.

21 Beteille, Andre, "Caste, Class and Power", Berkeley: University of California Press, 1965, p 110.

22 Wolf, Eric, "Peasants", Englewood Cliffs, NJ: Prentice-Hall, Inc, 1966, pp 1-17. For a discussion of peasant economy as a unique economic strategy see Chayanov, A V, "The Theory of Peasant Economy", Daniel Thorner (ed), Homewood, Illinois: Richard D Irvin, 1966.

23 Wolf, *op cit*, p 6.

24 The above scheme based on Wolf, *op cit*, pp 1-17.

25 See Table 2.

26 Voelcker, John A, "Report on the Improvement of Indian Agriculture", London: Eyre and Spottiswoode, 1893.

27 Shaw, Robert de, "Jobs and Agricultural Development", Washington, DC: Overseas Development Council, 1970.

28 A fact recognised in: Committee on Land Reforms, Report of the Committee on Land Reforms, New Delhi: All India Congress Committee, 1972, p 4.

29 See Table 1.

30 See Table 2.

31 Ladejinsky, *op cit*, 1965.

32 For example see Saini, G R, "Farm Size, Productivity and Return to Scale", *Economic and Political Weekly*, Vol IV, No 26, 1969.

33 Also recognised by Committee on Land Reforms, *op cit*, p 4.

34 Owner-cum-tenants in West Bengal are the most entrepreneurially oriented and rent in land to expand their operational holdings. Dutt, Kalyan, "Share Cropping and Farm Innovations", *Mainstream*, September 23, 1972, pp 24-25, 29.

35 Ladejinsky, *op cit*, 1965, 1969.

36 Frankel, *op cit*, 1971.

37 Committee on Land Reforms, *op cit*, p 4. Robert McNamara's speech to the World Bank is also a significant departure; *The Times of India*, September 26, 1972, pp 1, 5.

38 See Table 2.

39 Nair, *op cit*, Chapter 29.

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The Continuing Struggle in Vietnam

Lajpat Rai

THE Press and Information Department of the Foreign Ministry of the Democratic Republic of Vietnam (DRV) has issued a White Book listing the "serious violations of the Paris Agreement on Vietnam by the US and its Saigon stooges headed by Nguyen Van Thieu. The period covered by the document is between January 27 (the day the Agreement was signed) and May 31. According to the White Book, while the DRV and the South Vietnam People's Liberation Armed Forces "scrupulously observed" the cease-fire throughout South Vietnam, remained in their places and stopped all offensive activities acts of force, the US-backed Thieu administration failed to abide by the Agreement and systematically violated many of its essential provisions.

The Paris Agreement was signed on the basis of the recognition of the existence in South Vietnam of a zone under the control of the Provisional Revolutionary Government (PRG) of the Republic of South Vietnam. But with US backing, the Thieu administration has stubbornly tried "to negate and do away with this fact", and as stated by *US News and World Report* (January 29, 1973) "moved into contested areas, even communist controlled regions in order to reduce the number of people and territory dominated by the reds". Since January 28, 1973, says the White Book, the Saigon administration has mobilised all regular forces, civil guards and militia and has launched in quick succession over 20,000 operations, including 18 of division size, 97 of regiment size and 3,121 of battalion size. As the French newspaper, *Le Monde*, stated (March 1, 1973): "The Saigon troops have, and a great deal of evidence is explicit, violated the cease-fire, sometimes with the knowledge of the commissions of control".

The second charge the White Book levels against Thieu's regime is that it has "trampled upon the democratic freedom" of the people of South Vietnam and has "failed to achieve material reconciliation and concord" as stipulated by the Agreement. Quoting the Saigon paper, *Tin Song*, it says that immediately after the Agreement was initialled, Thieu issued "10 instructions" to his police, ordering them to "smash all schemes of pro-communist demonstrations". "to dissolve all

political gatherings", "to continue to destroy the communist infrastructure" and to bar "the communists from moving at will". He also empowered the provincial police chiefs to tighten up control in towns and cities, as a result of which, according to *US News and World Report* (February 5, 1973), "youth are subjected to strict control, sometimes they are forced to prove their identities to the security police as often as two or three times an hour".

In the meantime, the Thieu administration has pushed the 'pacification programme' to frenzied heights, with a degree of cruelty which surpasses even his war time operations. "Administration has herded over 300,000 people in concentration camps in the Mekong delta and in the plains of central Vietnam. In Quang Ngai province alone, by March 22, 1973, it had herded 19,176 families, ie, 104,496 people, in 22 concentration camps. The Thieu administration has also made frenzied efforts to consolidate its ruthless apparatus of coercion in the countryside. From January 28 to April 27, it has conducted 32,045 police operations in zones under its control, especially in densely populated areas, "purged" 139,587 people, arrested 20,616, and killed 4,125. With regard to achieving national reconciliation and concord as stipulated in Article 11 of the Paris Agreement, the White Book quotes what the US paper, *International Herald Tribune*, wrote on March 6, 1973.

"There [in Saigon] no one reports the slightest signs of that reconciliation and concord as promised in the Agreement. The shooting and the political tyranny continues ... President Thieu has ordered the arrest of neutralist and pro-communist elements ... He said in January that he would "arrest or shoot on the spot" anyone working for the PRG. Newspapers are totally controlled by his government, and political meetings and movements forbidden except for Thieu's own party. Thousands are held in jail without trial and under savage conditions on political grounds."

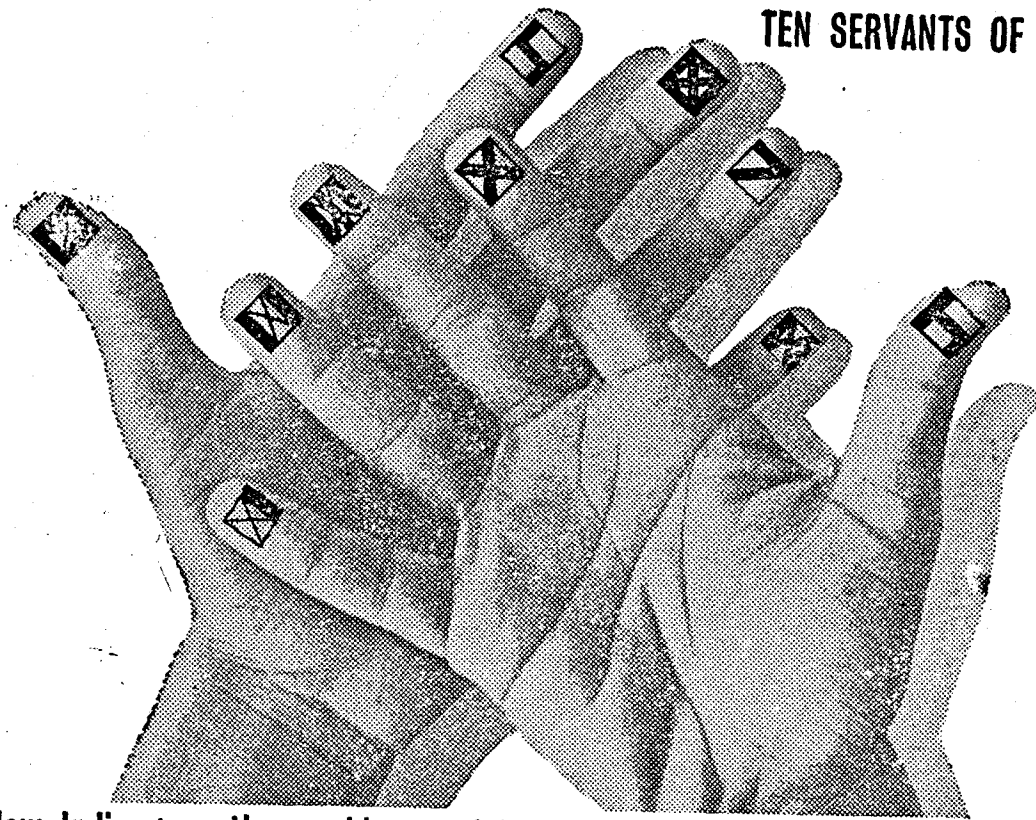
With regard to the 'general elections' under the Agreement, the White Book exposes the efforts of the Thieu regime to scuttle them or reduce them to a farce. On April 25, 1973, the

Saigon Administration put forward a so-called "preliminary draft agreement", raising in the first place the question of general elections, even proposing a specific date, thereby pretending to have at heart the achievement of the South Vietnamese people's right to self-determination. "But", says the White Book, the general elections mentioned in the Agreement are "genuinely free and democratic elections (Article 9B), ie, they should be held in the context of the two South Vietnamese parties ending all 'armed conflict' (Article 10), achieving national reconciliation and concord and ensuring democratic liberties of the people (Article 11)". Not merely this, the so-called "preliminary draft agreement" demands that "all Vietnamese armed forces that do not belong to South Vietnam withdraw from South Vietnam" and regards this as a prerequisite for the cease-fire, ensuring democratic liberties and the holding of general elections. This really was the old contention of the United States which was insisted on by Kissinger and then dropped at the time of signing of the Paris Agreement. The demand is obviously beyond the framework of the Agreement and according to the White Book is a "perfidious trick to sow confusion, to side-track public opinion, to delay the settlement of the internal matters of South Vietnam and to maintain Nguyen Van Thieu's dictatorship".

The most heinous crimes of the Thieu clique that the White Book exposes with telling effect, pertain to its treatment of the military and civil prisoners which under the Paris Agreement had to be exchanged with the prisoners held by the PRG and its armed wing. Transfer of prisoners from one prison to another, dispersion of prisoners, inclusion of military and political prisoners into category of common law detainees, compelling detainees to sign 'release certificates' or applications for 'Hoi Chinh' status (a Hoi Chinh is a person who has defected to the Saigon Administration), etc, are some of the crimes exposed not only by the White Book, but before it by the liberal US press.

According to the still incomplete data, from January 28 to March 28, over 32,000 prisoners were taken to unknown places and 103 political detainees were turned into common law prisoners by the Saigon regime. As to the living conditions of the prisoners in Saigon jails, *Time magazine's* correspondent, David De Voss, report-

TEN SERVANTS OF MAN

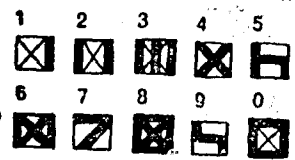


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ed on March 19, 1973: "It is not really proper to call them men any more ... due to a steady diet of beatings as well as sand and pebbles in rice, dysentery, tuberculosis and chronic stomach disorders. Water was limited to three swallows a day, forcing prisoners to drink urine". Conditions worsened after the ceasefire, adds the *Times* correspondent. "When told of the Paris Agreement, the prisoners cheered, only to be stopped by doses of lye and bamboo. 'We had hoped to begin the new year with happiness', said one, 'but my new year began when I was doused with excrement'".

With regard to captured and detained civilian prisoners says the White Book, "it is common knowledge that Nguyen Van Thieu's Administration has built with US financing and aid thousands of 'tiger cage' type prisons and detention camps to detain patriots and all those who stand for peace, neutrality and national concord". It accuses the United States of complicity in this continued detention and maltreatment of the political prisoners lodged in Saigon jails and reminds it of the provisions of the Agreement and the protocol concerning the return of the captured personnel, according to which the US has a major responsibility for their safe return. Section IV of the White Book deals with violations relating to the withdrawal of troops and ending of US military involvement. At variance with Articles 5 and 6 of the Agreement, the United States has refused to dismantle its military bases in South Vietnam. While withdrawing from South Vietnam its troops and those of its allies, it has not removed huge stores of weapons, munitions and war material, which have been handed over to Thieu's generals "with a view to strengthening the tool of US colonialism in South Vietnam". The US has left behind in South Vietnam some 10,000 military personnel disguised as civilians, with the intent of maintaining a US presence in South Vietnam after the troop withdrawal. Their job is to continue the Vietnamisation programme and to co-operate with Saigon's notorious pacification campaigns designed to win the control over the population during and after the ceasefire. According to the Gai Phong Press Agency of South Vietnam, out of the 17,000 disguised US military personnel now in South Vietnam, 2,400 are acting as advisers to the police force and the 'Phoenix Plan', 1,300 are deputed to assist the Saigon Administration's Defence Ministry, while 77

are advisers in the 'equipment transfer team'. In serious violations of Article 7 of the Agreement, the US has overtly brought weapons and war materials into South Vietnam in order to buttress the Thieu regime. According to despatch from Saigon by AFP (March 21, 1973), in the first three weeks of March 1973 alone, the US brought into South Vietnam over 30,000 tons of armaments and war materials.

Besides this, the US has not stopped encroachment on the sovereignty and security of the Democratic Republic of Vietnam. According to the White Book, in March-April 1973, it repeatedly undertook air reconnaissance activities in the air space of the DRV over Vinh Linh, Quang Binh, Ha Tinh, Lang Son and Quang Ninh. On April 19 and 24, US planes carried out reconnaissance over areas including Hanoi and the part of Haiphong. These actions constitute violations of the Article 2 of the Agreement. Another serious charge levelled by the White Book against the Nixon Administration is its refusal to undertake its obligation of removing, permanently deactivating or destroying all mines in the territorial waters, ports, harbours and waterways of the DRV. The White Book condemns, what it calls, "United States' resort to procrastination" in the matter and its deliberate "prolonging of the blockade of the territorial waters of the Democratic Republic of Vietnam".

Lastly, the White Book accuses the United States of escalating the war in Cambodia, launching B-52 extermination bombings against densely populated areas and of sending Saigon and Thai mercenary troops for direct aggression against that country. These acts violate Article 20 of the Paris Agreement on Vietnam which acknowledges "the commitment of the parties to the Agreement to respect the independence, sovereignty, unity, territorial integrity and neutrality of Cambodia and Laos."

II

The White Book is no doubt a useful document, especially for those who are unable to keep pace with day-to-day developments in Vietnam and Indochina or do not have access to American and European newspapers and magazines which are quoted in the document liberally and effectively to make charges against the United States and Thieu's puppet regime — charges of open and blatant violations of practically all the important articles of the Paris Agreement.

But going through the 25 odd pages of this well-reasoned and well-brought out document, one cannot help asking the question: "But, what did you expect? Did you expect that the US imperialists and their stooges in South Vietnam would honestly implement the Paris Agreement and its protocols in letter and spirit?" The heroic Vietnamese people and their brilliant leaders of the Workers Party of North Vietnam and the NLF had their bitter experience with the Geneva Agreement of 1954 as well as with South Vietnamese puppets like Diem, Ky and their ilk. Or had the leopard changed its spots, as is being maintained by the revisionist leadership of the socialist camp? One cannot really understand the North Vietnamese leadership agreeing to sign the Agreement except in terms that they were pressurised to do so by their Russian and Chinese allies, who had acquired vested interests in what *Nhan Dan* characterised as an unprincipled *detente* with imperialism for the sake of petty, narrow, nationalist interests. Even a non-Marxist bourgeois politician like Prince Norodom Sihanouk of Cambodia displayed a greater awareness of imperialism and its stooges when he told a Paris bi-weekly *Afrique Asie*: "I firmly believe Nixon to be Machiavellian, cynical and intellectually dishonest". He compared Nixon with Hitler "in the sense that agreement and treaties will never be more than scraps of paper for him". Sihanouk, therefore, refused to negotiate with the Americans and their stooges in Phnom Penh, and declared that "we shall never accept an agreement with the United States and with the traitors in Phnom Penh ... and we have indicated this to our brothers in Vietnam and Laos". The Vietnamese were obviously in a position in which they could not afford to take a similar stand. The Paris Agreement was, however, hailed in Moscow and Peking as "a brilliant victory" for the liberation forces. The rulers of these two socialist states, acting as honest brokers for US imperialism, had played an important behind the scenes role in persuading the North Vietnamese to sign the Agreement on January 27, 1973. They, therefore, took a great deal of pride in its signing. In his January 30 speech given at a banquet in honour of Le Duc Tho in the Kremlin, Leonid Brezhnev pointed out that the signing of the Agreement "opened new possibilities for easing tensions, for consolidating security and world peace", adding that "now it is possible to find a peaceful and just solution to other conflicts, to liquidate the danger from

And Quiet Flows Orthodox Economics

Ranjit Sau

Industry and Underdevelopment by R B Sutcliffe; Addison-Wesley Publishing Co, London, 1971; pp xiv + 386.

THE richest one-third of the world's population receives roughly two-thirds of world income. The rate of growth of per capita national income in developed countries for the 15 years from 1950 to 1965 was noticeably more rapid than that for underdeveloped countries. There is some evidence that the rate of per capita income growth in underdeveloped countries is in fact slowing down. Even allowing for a fairly large margin of error in the figures it is clear that the gap in incomes per head is widening.

In 1960 over four-fifths of the world's manufacturing output took place in developed areas and less than one-fifth in underdeveloped areas. Whatever shift may be taking place towards the industrial sector in the structure of production within underdeveloped countries it has not been accompanied by similar changes in the occupational structure of the labour force. Industrial growth almost everywhere — in Asia, Africa and Latin America — is failing to create adequate employment.

In comparison with developed countries the performance of underdeveloped countries since 1950 has been even worse in agriculture than in industry.

Why does one part of the world languish while another surges ahead? This is one of the most vital questions of the century. Opinions differ, views diverge, and so the debate continues. What is to be done? And here also the controversy is as open as ever.

Meanwhile, the literature on the so-called development economics is increasing in volume without respite. You can discern two strands in this continuous stream. One comprises the brisk activities of the 'pattern-finders' (as Sutcliffe calls them) who with their statistical, econometric gadgets have mapped the path of industrialisation and economic growth. Walter Hoffman, Hollis Chenery, Simon Kuznets and many others, including a team of the United Nations, are on this track. The author, however, has mercifully ignored Walt Rostow. Then there is the other strand: a set of prescriptions straight from the cook-book of neoclassical economics on how to choose the optimal technique, how to compute shadow prices and evaluate investment projects, how to fi-

gure out trade and tariff policy, and so on. I M D Little, Harry Johnson, and others are engaged in this.

The broad tenor of the book under review is aptly summed up in the opening sentence of its preface: "Neither the Keynesian nor the neoclassical tradition of economic analysis has very much to say about industrialisation". The book, in the words of the author himself, is intended to be "a critical survey of this literature". And in this respect it has been quite successful.

In the course of writing this book, we are told, the author's "own scepticism of orthodox economics deepened". He hopes that some of the tentative views outlined there will communicate this scepticism in a constructive way to students of economic development. He exhorts that they have an opportunity and responsibility to search for a more penetrating analysis of questions of industrialisation and underdevelopment than those which they are accustomed to finding in the text books. It should not take them long to realise that only if their search moves from a purely economic plane to a social and political one can it help to redress the inequality and poverty which symptomise the present economic and political structure of the world.

So here is a book that casts doubt on conventional economics, and calls upon the reader to stir into action in search of the root cause of underdevelopment.

I

The usual discussion on agriculture-versus-industry as a strategy for development does not pose the fundamental question in the correct manner. For economic growth, in the sense of rise in per capita income, must entail industrialisation at some stage. Besides, agriculture and industry are not necessarily competitive, either in terms of their respective drafts on investible resources, or in the demand pattern of the consumers' budget. Institutional changes alone can take agriculture a long way. The concept of 'priority' to be assigned to agriculture or industry in such circumstances is at best nebulous, if not misleading.

At any rate, what is industrialisation? Which countries are industrialised? Sutcliffe proposes three tests: (a) a minimum of one-fourth of the gross domestic product has to originate in the 'industrial sector'; (b) in order to rule out the cases where mining is the predominant industry (e.g. Venezuela or Zambia with a large foreign-owned mining sector), at least three-fifths of the industrial output must be in manufacturing; and (c) industry should be strong enough to affect the distribution of labour force so that not less than one-tenth of the total employment must be located in industry. Out of the 98 countries examined, 30 pass these three tests, of which only three — Argentina, Hong Kong and Japan — fall outside Europe, North America and Oceania. India meets only the second criterion.

Is there a standard pattern of economic growth? Hoffman's stages, reckoned in terms of the relative growth of consumer goods and capital goods industries, are open to question as a guide for the developing countries. Also it is interesting to note that China appears to have passed through all of Hoffman's stages in a single decade. The studies of Kuznets and Chenery also offer very little, if at all, by way of indicating the path of growth for the developing countries to follow. Sweeping generalisations across countries on the basis of dubious data and mechanical concepts do not add even an iota to the knowledge about the road that lies ahead. Historical consistency still does nothing to answer the question of whether underdeveloped countries at low levels of income will or can pursue the same patterns of growth.

The context today is very different from what the now-developed countries faced in the eighteenth and nineteenth centuries. Lancashire cotton textiles can no longer launch the vessel of industrialisation as it did in England two hundred years ago. As Sutcliffe puts it, the current environment has four dimensions as it were: *lateness* in the timing of the beginning of industrialisation in underdeveloped countries; their *backwardness* in absolute and relative senses (the underdeveloped countries are too poor to take advantage of modern technology, and they are poorer than the forerunners of industrialisation were in their corresponding periods); their *co-existence* with the highly developed countries; and their *contact* with the latter, stretching over a long span of history.

Lateness can conceivably be advan-

existing hotbeds of war, above all in the Middle East". For Comrade Brezhnev, the Agreement was a harbinger of a new era in the world in which all tensions would disappear and all hotbeds of war would be eliminated, including the one which concerned him the most — in the Middle East.

In the same address, the Russian leader proudly noted that the Soviet Union "had helped actively on all fronts to bring the Agreement about — military, political and diplomatic", and hinted that the Soviet Union intended to press for strict implementation of the terms of the Agreement by all parties. (Not by the United States or Saigon, but by all parties!) This was perhaps a warning to the liberation forces in Vietnam that the Kremlin will tolerate no 'violation' of the accord, such as armed defence against Thieu's repressive terror. The *New York Times*, however, explained the Russian role in effecting the cease-fire in a different way: "The Russians", wrote Bernard Gwertzman (January 31), "were said, by US officials, to have been active in the last few months in assuring Hanoi that Washington was genuinely seeking an agreement and in relaying similar information about Hanoi to the White House". Brezhnev had, however, not yet finished his banquet speech. He told Le Duc Tho and his party: "The Democratic Republic of Vietnam resumes constructive work. It now has opportunity to concentrate its efforts on socialist construction and new prospects implementing the behests of President Ho Chi Minh for creating a peaceful, united, democratic Vietnam have opened. A road for peaceful democratic development opens before South Vietnam."

The fact that a peaceful democratic road has opened in South Vietnam will surely be news to the people of the South — the refugees and prisoners behind Thieu's barbed wire, the opposition leaders facing torture and death in Saigon jails, the inhabitants of tiger cages and for the workers and peasants exploited under the shadows of Thieu's guns. The White Book also indicates the kind of "peaceful democratic development" opening before the people of South Vietnam, as maintained by the Soviet chief who now goes to Washington to collect his honest broker's fees from Nixon.

The Chinese, too, regarded the Agreement as a brilliant victory for the Vietnamese. The Chinese leadership

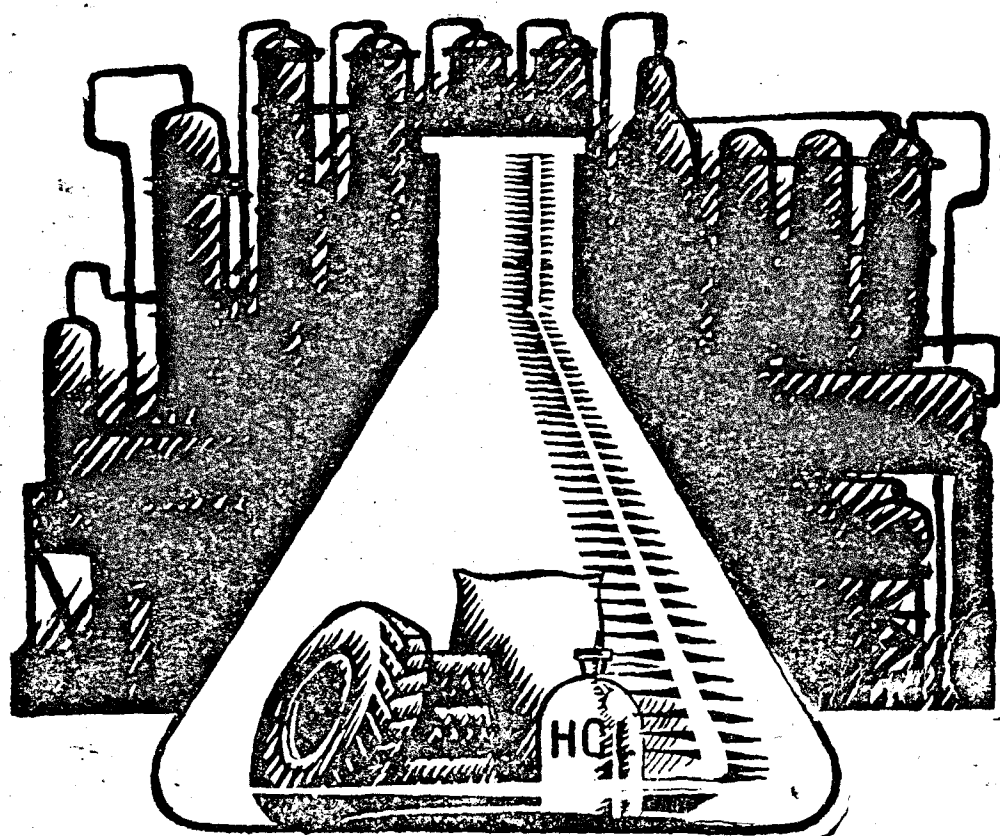
which not a long while ago had frowned upon negotiations between the Vietnamese and the Americans, became the ardent supporters of the secret talks at Paris culminating in the Paris Agreement on peace in Vietnam. They too arranged a banquet in honour of the chief North Vietnamese negotiator in Paris, Le Duc Tho, in which Chou En-lai after paying tribute to the "valiant, tenacious, inspiring and heart-stirring struggle" of the Vietnamese people, declared that "the Vietnamese question could now be solved without outside armed intervention" and that the end of the fighting would have a "positive influence on the reduction of tension in Asia and the world". The Chinese leader spoke no words of caution and made no reference to the treacherous nature of the "imperialist wolf" which did not change its habits. Neither did he warn the Vietnamese against the expected machinations of the Saigon stooges, nor did he mention his own inner fears of Hanoi's domination of the Indochinese peninsula that would permit an enhanced Soviet influence (according to Peking) on China's southern flank, a fear mutely expressed in the January 28 issue of *Renmin Ribao* by a leading Communist Party functionary. Chinese worries were not on account of the United States' and the Saigon regime's intentions to press on in their counter-revolutionary moves, but only with regard to their encirclement by the Soviet social imperialists, in league with the Vietnamese. In his interview with Takeo Kimura of the ruling Liberal Party of Japan who visited China in the middle of January this year (published in *Washington Post*, January 29, 1973), Chou said that the Vietnamese cease-fire would not bring peace to Asia, not because of the United States and its Saigon puppets, but because "a certain country would not give up its attempt to dominate the area". The obvious reference was to the Soviet Union. "The Chinese leader", the *Washington Post* elucidated, "explicitly exonerated the United States, saying that Washington and Peking had agreed not to seek hegemony over Asia and the Pacific ... The 'certain country' is the Soviet Union unless, of course, the Maoists have North Vietnam in mind".

One negative effect of the characterisation of the Paris Agreement as a "brilliant victory" has been a sharp decline in the anti-imperialist and pro-Vietnam activities of the international anti-war movement. With "victory" won in Vietnam the movement seems to have folded up its activities. Even before the cease-fire its effectiveness

was limited, thanks to the Sino-Soviet schism. Both Moscow and Peking commanded the allegiance of millions in the international workers' movement, millions who could be mobilised into massive worldwide campaign to force US imperialism out of Indochina. But no call for a united front for the defence of the Vietnamese revolution was forthcoming from the Soviet and the Chinese leaderships. In fact, in many countries, political parties and mass organisations in solidarity with Moscow and Peking worked at cross purposes, often opposing each other's actions in support of the Vietnamese struggle.

In India, as elsewhere, the legendary resistance of the Vietnamese people and not even the dastardly December 1972 carpet bombing of Hanoi and Haiphong, could bring together the two communist parties and the mass organisations led by them for a joint action on behalf of Vietnam. The CPI's contribution in this regard was the holding of a few minuscule gatherings by the Afro-Asian Solidarity Committee (a semi-official body led by some CPI stalwarts) in the fashionably located Constitutional Club in New Delhi, a few tiny demonstrations before the US Embassy where the uniformed police generally outnumbered the demonstrators two to one, or a perfunctory signature campaign to demand the withdrawal of US troops from Vietnam. The CPI(M)'s activity consisted in holding a few big rallies in Calcutta or adopting routine resolutions in their party or trade union conferences. Since the signing of the Paris Agreement, however, even this activity has come to a standstill. The cease-fire has been effected, the Paris Agreement for peace in Vietnam has been signed, "brilliant victory" has been achieved, the peace movement has come out with colours! And after the victory, rest. This is the prevailing mood now among the militants of the anti-war movement everywhere. The recent savage bombing of Cambodia by Nixon's B-12 planes hardly evoked any reaction among the pro-Moscow or pro-Peking partisans of the Vietnamese struggle or from the humanitarian anti-war militants of America and Europe.

The White Book on serious violations of Paris Agreement by the United States and the Saigon Administration might act as an eye-opener for those activists who, having fallen victim to the propaganda of "a great and brilliant victory", have folded up their activities in defence of the Vietnamese revolutions.



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tageous to the extent that technology has progressed in the meantime. But, at the same time, the cost of initial investments necessary to start many types of industrial production also has gone up disproportionately. A rough calculation suggests that the average cost of total capital, in a single typical industrial operation in France in the nineteenth century was roughly the same as six to eight months' wages for the average worker; in England it had been even less; the corresponding cost for underdeveloped countries is roughly three hundred and fifty months' wages.

Sutcliffe has thus very ably analysed the implications of the current situation that stares the developing countries in the face.

II

Coming to specific, analytical issues like choice of technique, plant size, trade and tariff, the book examines the theoretical literature in the light of concrete experiences as embodied in various empirical works. With regard to the choice of technique, for instance, it emphasises that an answer to this question must be approached by a rather circuitous route: firstly, what exactly does this question mean? Secondly, is there really any choice? And, thirdly, who makes the choice? Only when these three questions are answered is it possible to suggest a solution to the problem itself, which in most of the literature has been posed and answered in entirely too narrow a way. In this connection, it also bears in mind Myrdal's words: "scientific and technological advance in the West has had, and is having, an impact on the South Asian countries that is very detrimental to their development prospects". Thus the canvas of analysis is not only quantitatively broadened but it is also qualitatively deepened. However, as one might expect, the book finally does not end up with a handy formula for the choice.

During the early sixties in Pakistan, 62 per cent of consumer goods industry, 78 per cent of intermediate goods industry and 50 per cent of capital goods industry were working at below 40 per cent of capacity. In Brazil, utilisation of capacity, reckoned at one-shift basis only, is estimated at 53 per cent for capital goods industry and 65 per cent for consumer goods industry. Country after country — Burma, Formosa, India, Ceylon — presents the same pattern of enormous excess capacity in industries. Are the plant sizes too big relative to the market? Sutcliffe gives an answer in the affirmative. Such high levels of ex-

cess capacity cannot all be explained as the result of time phasing of investments or shortage of inputs due to administrative failures, supply problems or foreign exchange shortage. The main reason is, he asserts, the small size of the market relative to the size of the plant which has been adopted, which in many cases must be the minimum available size. This is not just the result of small populations and low incomes, but just as much of the distribution of income, tariff policies and the type of products thus produced.

Indeed, the average population of African countries is only six million (distinctly less if Nigeria is excluded); it is eleven million in South America, but once again Brazil considerably raises this average; and forty-three million in Asia, though again it would be very much less if two or three countries were omitted. Per capita income in many of these countries is a minute fraction of that in the developed countries. Most underdeveloped countries have a very low population and a massive poverty; the internal market for manufactures therefore is then bound to be small. Nevertheless, there is one more factor that accounts for the prevalence of excess capacity, at least in India in particular. It is monopoly power. Evidently, large monopoly houses in India have pre-empted industrial licences and built up excess capacity so as to prevent entry or expansion of competitors. One does not know how much this factor is active in this way in other countries.

Sutcliffe has taken up a number of other policy issues: import substitution, foreign aid, regional integration, protective tariff, and so on. His approach is refreshing and his analysis competent. However, as he says, "the more technical subject matter of this book is less important than the answer to a number of puzzling and intractable political questions. Whether the social and political changes necessary for successful industrialisation can take place in the Third World, or whether they depend upon political changes in developed countries as well; whether steps towards effective economic integration of small countries is possible, and whether future industrialisations can take place without the social horrors which have been associated with earlier industrialisations, capitalist and Stalinist".

III

The failure of the present form of industrialisation in the Third World to employ the rapidly growing labour force in the industrial economy has far-reach-

ing consequences. The prevalence of capital-intensive techniques, largely the result of connections with foreign capitalism and the need to satisfy the tastes of a privileged elite, has prevented the formation of an industrial proletariat on anything like the scale experienced in the Western European countries. On the other hand, the march of urbanisation is going ahead with enormous speed. And at the same time, because of the unprecedented growth of population, the countryside is forced to absorb increasing numbers of people. There seems to be no historical parallels to what is now occurring in many underdeveloped countries — in a sense a partial industrialisation without either the bourgeoisie or the proletariat. Without the bourgeoisie, because the public sector is assuming an overwhelmingly large role in total investment; and without the proletariat, since the capital-intensive technology does not generate much employment. So argues Sutcliffe, and then he continues as follows:

The closest parallel is with Russia in the late nineteenth and early twentieth centuries. Here too capitalist industrialisation of a sort was launched, with considerable involvement of the state, much of it financed from abroad, and in the context of an increasingly integrated world economic system. At the same time technology had moved in such a way since Western European industrialisation that more capital-intensive methods were used and no vast industrial working class was created in comparison with countries which industrialised earlier. It was partly this Russian experience of industrialisation, or, if you will, non-industrialisation, and the subsequent revolution which has led to the view common in socialist writing that true industrialisation is impossible under a capitalist system in underdeveloped countries.

But Sutcliffe's view on this question is unambiguous: "The possibility of further capitalist industrialisations cannot be in principle ruled out". However, he adds, there seems little doubt that neither the complacent dictatorship and oligarchies nor the timid imitations of Western European parliamentary democracy, both of which abound in the Third World, have sufficient power to mobilise and allocate resources on a scale large enough to produce a social and economic transformation which will keep pace with the demands for it. If these demands are not met then there are increasing prospects of social and political upheaval.

Within the last 50 years there are

two examples of countries which have successfully undergone an industrialisation more rapid than any country which industrialised in the nineteenth century, except perhaps the United States; these are the Soviet Union and Japan. According to Sutcliffe, the success of both these cases may seem to leave open the question of whether only a socialist path to industrialisation is viable. Both the Soviet Union and Japan, however, pursued a course of development which was very different from the nature of industrialisation in Western capitalist countries. In many respects the two countries diverged from each other; but some crucial differences from the Western capitalist pattern they experienced in common. And most economically backward countries now are different again in character from the Soviet Union and Japan. So is the world economic situation which confronts them. Hence, if these countries are serious about industrialisation, they have to blaze a new trail which will defy such

labels as capitalist or Stalinist. In any case, their technological and economic effort is likely to be fruitless unless it is accompanied by a social and administrative revolution.

Sutcliffe does not say so; but the fact of the matter is that the spectre of the Chinese Revolution is already haunting the ruling classes in many of these countries.

IV

This is an interesting book written by a competent author. He has succeeded in bringing into the corpus of his analysis the really fundamental questions related to industrialisation in underdeveloped countries. One does not, however, require much foresight to say that nevertheless the dominant stream of economic analysis would brush aside all this as outside its scope, and continue to flow in its usual, sterile course. But that also would be an indirect confirmation of the basic hypothesis of Sutcliffe.

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Indian Defence Expenditure in Global Perspective

K Subrahmanyam

There is a general trend in many parts of the world for defence outlay as a percentage of GNP to decline with the rapid growth of GNP and with the increasing spirit of detente that has developed in various traditional areas of tension. World military expenditure had been around 7 per cent of world GNP throughout the 1960s but fell to 6.3 per cent in 1970 and to about 6 per cent in 1971. This is still well above the Indian defence burden. In spite of this overall decline, in the areas immediately around India — such as Pakistan, Iran and China — there are no indications of a downward trend either in absolute terms or in terms of defence outlay as percentage of GNP. All these countries spend far above the world percentage.

Even in regard to countries which are exhibiting a declining trend in their defence burdens, it is necessary to view the totality of their defence expenditure over the last two decades. A number of them have already developed certain levels of forces and presently do not find it expedient, in the light of the detente, to expand their forces or add to their military stockpiles. This appears to be the case in respect of countries like the United States, France, West Germany, Italy and Canada.

The amount of defence outlay to be devoted to manage the security of a nation without unduly high expenditure is a matter of sophisticated political and economic judgment. But there is no study available in India estimating the cost to the economy of the postponed military/economic decisions due to the various uncertainties arising out of the national security Crisis of 1962, 1965 and 1971. A cost-benefit analysis of a slightly higher order of defence outlay, which might reduce the uncertainties in decision-making, would be very desirable.

DEFENCE expenditure as a percentage of gross national product is one of the commonly used indicators to calculate the defence burden on the economy of a country. This is a better indicator than the percentage of defence outlay to the total governmental expenditure since the governmental expenditure of a country depends upon its constitutional set-up (whether it is federal or unitary) and its economic philosophy. A socialist government brings within the scope of its budget a greater degree of the economic activity of a country than a non-socialist government.

Indian defence expenditure which was less than and around 2 per cent of the GNP in the 1950s started rising after the Sino-Indian conflict in 1962. The peak was a 4.5 per cent outlay in 1963-64. In the latter half of the 1960s there was a tendency for the defence outlay to stabilise at around 3.3 per cent. In 1971-72, in view of the grave national security crisis, defence outlay went up. It is estimated to have gone up to perhaps 3.7 to 3.8 per cent (firm figures of GNP at current prices are not yet available for 1971-72). Thereafter the trend appears to be towards a slight decline from this level.

Table 1 gives the figures of defence expenditure of the country, the GNP at current prices and the percentage of

defence expenditure to GNP, since 1960-61.

Out of 64 countries for which percentage of defence outlay to GNP has been calculated for 1971, 24 countries spent more than 3.7 per cent of their GNP on defence. Yet none of these countries had to face the hostile environment India has had to during the last 25 years.

There is a general trend in many parts of the world for the defence outlay as a percentage of GNP to decline with the rapid growth of GNP in many countries because of the spirit of *detente* that has developed in various traditional areas of tension. The world military expenditure had been around 7 per cent of the GNP throughout the 1960s but fell to 6.3 per cent in 1970 and to about 6 per cent in 1971. This is well above the Indian defence burden. In spite of this overall decline, in the areas immediately around India, such as Pakistan, Iran and China, there are no indications of a downward trend either in absolute terms or in terms of defence outlay as percentage of GNP. All these countries spend far above the world percentage.

Even in regard to countries which are exhibiting a trend towards decline in the defence burden as percentage of

GNP, it is necessary to view the totality of defence expenditure of those countries over the last two decades. A number of them have already developed certain levels of forces and presently do not find it expedient, in the light of the spirit of *detente*, to expand the forces or add to their military stockpiles. This appears to be the case in respect of countries like the United States, France, West Germany, Italy and Canada.

For the period 1950-70, it has been computed that the average increase per year in Indian defence expenditure, on the basis of constant prices, has been 5.4 per cent. Out of 83 countries for which similar calculations have been made, 48 countries had a higher percentage of annual increase in defence expenditure. This includes countries not only in military alliances but non-aligned countries like Yugoslavia.

An analysis of our defence expenditure as a percentage of the non-developmental expenditure of the country as a whole (including Central and state outlays in the total governmental expenditure) exhibits an interesting pattern (Table 2).

Indian defence expenditure, as a percentage of total governmental expenditure of both the Centre and states, has declined from 17 per cent in 1964-65 to 14.36 per cent in 1970-71.

Since the final actual figures of total governmental expenditure for 1971-72 and 1972-73 are not available at the moment, it is necessary to calculate them on the basis of the revised estimate (RE) for 1971-72 and the budget estimate (BE) for 1972-73. This gives percentages of 14.99 and 15.68 respectively. However, since the final expenditure is likely to be somewhat higher, these percentages are likely to decline.

An analysis of the defence expenditure as a percentage of non-developmental expenditure of the Centre and the states shows that it has declined from 44.41 per cent in 1964-65 to 32.98 per cent in 1970-71. In spite of the war in 1971-72 and the sharp increase in defence expenditure that year, it would appear that as a percentage of non-developmental expenditure, it is likely to register a decline, showing thereby that the rise in the non-developmental expenditure, other than defence, was even higher than the defence expenditure. This trend seems to continue even for the year 1972-73. It is obvious that the expenditure classified as 'non-developmental' has been increasing at a faster rate than the defence expenditure in the last eight years for which data has been analysed. Table 3 is an analysis of defence expenditure and non-developmental expenditure of Central and state governments.

Defence expenditure as a percentage of GNP has been relatively constant between 1964-65 and 1972-73. The two slight peaks in 1965-66 and 1971-72 indicate the war years. In the late 1950s, peak percentages occur in the years 1962-63 and 1963-64 when the country's armament programme began in earnest following the Sino-Indian conflict.

Non-developmental expenditure, other than defence, has a tendency to catch up with the developmental expenditure. It is obviously clear that the constraints on developmental expenditure do not arise from increased defence expenditure. It is, however, not very clear whether or not these constraints arise from the rapidly rising non-developmental expenditure of the Central and state governments. This appears to be an area worth further detailed study.

Defence expenditure as a percentage of GNP seen together with the rate of economic growth does not show any correlation whatsoever between the two. As mentioned earlier, defence expenditure as a percentage of GNP has been relatively stable since 1962-63 while the economic growth rate has been fluctuating violently. Monsoon and favour-

able agricultural seasons are well known to have any correlation, positive or negative, with defence outlay. This is not surprising because that other factors, they do not seem to have been the worldwide experience.

TABLE 1

(Rs in crores)

Year	Defence Expenditure (net)	GNP (at current prices)	Defence Expenditure as Percentage of GNP
1960-61	280.94	14028	2.0
1961-62	312.49	14848	2.1
1962-63	437.91	15800	3.0
1963-64	816.12	18045	4.5
1964-65	805.80	21166	3.8
1965-66	884.76	21847	4.1
1966-67	908.59	25299	3.6
1967-68	968.43	29988	3.3
1968-69	1033.19	30107	3.4
1969-70	1100.88	33494	3.3
1970-71	1199.28	36319	3.3
1971-72	1525.34	NA	*3.8 (estimated)
1972-73 (Revised Estimate)	1599.76	"	*3.7 (estimated)
1973-74	1600.00	"	*3.8 (estimated)

* Based on the assumption that GNP at current prices will increase by 8 per cent per year though at constant prices the growth was around 2 per cent only in 1971-72 and 1972-73. In the previous 6 years except for one year it registered a rise of more than 8 per cent per year.

TABLE 2

(Rs in crores)

Year	Defence Expenditure (net)	Non-developmental Expenditure (Centre and states)	Total Government Expenditure	2 as Percentage of 3	2 as Percentage of 4
1	2	3	4	5	6
1972-73	1,600 (RE)	5,981 (BE)	10,205 (BE)	26.75	15.68
1971-72	1,525*	5,746 (RE)	10,175 (RE)	26.54	14.99
1970-71	1,199	3,636	8,352	32.98	14.36
1969-70	1,101	3,209	7,375	34.31	14.93
1968-69	1,033	2,890	6,827	35.74	15.13
1967-68	968	2,772	6,448	34.92	15.00
1966-67	909	2,727	6,143	33.33	14.80
1965-66	885	2,126	5,605	41.63	15.79
1964-65	806	1,815	4,754	44.41	17.00

* Actuals

Note: The figures in columns 5 and 6 for 1971-72 and 1972-73 are likely to be lower since figures in columns 3 and 4 are likely to go up.

TABLE 3

(Rs in crores)

Year	Defence Expenditure	As Percentage of GNP	Non-developmental Expenditure of Central and State Governments	As Percentage of GNP	Developmental Expenditure of Central and State Governments	As Percentage of GNP
1964-65	806	3.8	1099	4.8	2939	13.9
1965-66	885	4.1	1241	5.7	3479	15.9
1966-67	909	3.6	1818	7.2	3416	13.5
1967-68	968	3.3	1804	6.0	3676	12.3
1968-69	1033	3.4	1857	6.2	3937	13.1
1969-70	1101	3.3	2108	6.3	4166	12.4
1970-71	1199	3.3	2437	6.7	4716	13.0
1971-72	1525 (Actuals)	3.8	4221 (RE)	10.7	4429 (RE)	11.26
1972-73	1600 (RE)	3.7	4381 (RE)	10.3	4224 (RE)	9.9

TABLE 4

	1960-61	1961-62	1962-63	1963-64	1964-65	1965-66
Personal Consumption	79.8	78.7	77.1	75.5	77.1	74.8
Government Consumption	7.2	7.5	8.5	9.5	8.7	9.5

Defence expenditure as a percentage of GNP has been worked out for 15 major countries for the last twenty years in Table 5. It would appear that contrary to popular belief high defence expenditure does not seem to have a negative correlation with a high economic growth rate.

Even with very high levels of defence expenditure in the post-war period, the economies of the developed countries grew at a rapid rate. Thus, the Soviet Union reconstructed its economy after it was devastated by the war and even assisted in the development of Eastern Europe. Erhardt's miracle and the rapid growth of Western Europe and Japan also occurred at the same time. This is not only true of developed countries but also of China in the

1950s. The European Economic Community countries grew at an average rate of 5.4 per cent during 1950-68. The average annual rate of growth of real net material product of the centrally planned economies of Eastern Europe was 8 per cent between 1950-68. Instead of a negative correlation, one is almost tempted to derive a positive correlation between high defence expenditure and a high growth rate. That would, however, be a fortuitous one.

It is, however, possible to derive a positive correlation between economic growth rate and fixed capital formation which in turn has a negative correlation with personal consumption expenditure. All the countries mentioned above have personal consumption expenditure as a percentage of GNP in the

region of 60 as against the Indian case where it is in the high 70s. The normal pattern in all these countries appears to be that over and above the personal consumption expenditure of the order mentioned above, the governmental consumption expenditure — of which defence expenditure is a part — ranges from 10 to 15 per cent and the balance constitutes savings and investment. Unfortunately, in the case of India we do not have corresponding data except for the period 1960-61 to 1965-66. For this period, Table 4 gives the percentage of government and private final consumption expenditures.

The Fifth Plan envisages a rise of gross domestic savings from 12.9 per cent in 1973-74 to 16.6 per cent in 1978-79. This is still very much below the savings rate of all the countries which have a reasonable growth rate.

There is also a difference between the defence expenditure of countries which have full employment or near full employment and the other developing countries. In the case of the full employment economies the opportunity cost of deploying personnel in defence services,

TABLE 5A: DEFENCE EXPENDITURE AS PERCENTAGE OF GNP: 1961-71

Country	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961
Israel	23.9	26.5	24.1	15.4	13.8	12.2	11.7	11.7	10.7	6.10	6.10
China*	10.12	9.5	9.5	9.2	9.2	8.9	8.5	NA	NA	NA	NA
USSR**	NA	11.0	11.0	6.87	6.43	6.46	6.61	7.33	6.61	7.71	7.59
Iran	8.5	7.1	5.0	5.6	5.5	3.6	4.4	4.4	4.1	4.01	4.25
USA	7.3	7.8	8.7	9.3	9.8	9.2	8.0	9.0	9.8	9.35	9.19
Yugoslavia	6.0	5.6	5.4	4.7	4.7	4.5	4.5	4.7	6.0	7.78	7.96
Britain	4.7	4.9	5.0	5.4	5.7	6.0	6.3	7.0	7.0	6.27	6.21
Sweden	3.7	3.7	3.9	3.9	3.9	4.2	4.4	4.6	5.2	4.38	4.21
Pakistan†	4.0	3.4	3.8	4.2	3.6	4.5	5.3	3.1	3.2	2.29	2.55
France	3.1	4.0	4.4	4.8	5.3	5.4	5.6	6.7	6.8	6.07	6.35
Australia	2.9	3.6	4.0	4.6	4.9	4.7	3.7	3.7	3.4	2.55	2.65
West Germany	2.8	3.3	3.6	3.6	4.3	4.8	4.4	5.5	6.1	4.84	4.03
Italy	2.6	2.8	2.7	3.0	2.9	2.9	2.9	4.1	4.2	3.15	3.08
Canada	1.8	2.5	2.4	2.7	2.7	2.8	3.2	4.4	4.5	4.46	4.58
Japan	0.7	0.8	0.8	0.8	0.9	1.0	1.3	1.3	1.1	0.99	0.99

TABLE 5B: DEFENCE EXPENDITURE AS PERCENTAGE OF GNP: 1951-1960

Country	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951
Israel	6.52	6.01	6.03	5.96	4.63	2.59	2.80	3.62	4.56	6.88
China*	3.7	3.3	3.4	5.3	6.3	7.8	7.5	7.7	6.4	NA
USSR**	6.41	6.88	7.36	8.57	9.11	11.38	10.32	12.86	13.41	11.99
Iran	4.40	5.53	—	—	—	—	—	—	—	—
USA	8.88	9.47	9.91	9.94	9.88	10.2	11.72	13.34	13.60	9.99
Yugoslavia	7.72	8.62	9.75	8.69	10.97	11.38	14.02	16.41	21.43	NA
Britain	6.44	6.92	6.84	7.18	7.80	8.12	8.80	9.81	9.93	7.85
Sweden	4.30	4.55	4.65	4.61	4.64	4.78	4.87	4.89	4.43	3.94
Pakistan†	2.66	2.68	—	—	—	—	—	—	—	—
France	6.47	6.72	6.71	7.35	7.63	6.34	7.41	9.05	8.75	7.14
Australia	2.61	2.68	2.87	3.09	3.29	3.48	3.56	4.20	4.46	3.50
West Germany	4.06	4.40	2.91	4.18	3.65	4.09	4.04	4.21	—	—
Italy	3.25	3.32	3.42	3.47	3.56	3.66	3.98	3.74	4.49	4.25
Canada	4.56	4.70	5.29	5.74	6.17	6.71	7.13	7.88	12.79	5.77
Japan	1.08	1.14	1.05	1.00	1.11	1.05	1.03	0.89	1.02	0.61

* Estimates from 1965 onwards.

** From 1951 to 1968 the estimates are from figures furnished by SIPRI. For 1969, 1970 the estimates are those of the Institute of Strategic Studies.

† Does not take into account military aid from USA and China

as against other productive enterprises, is very high. On the other hand, in the case of economies with much unemployment, defence expenditure does not have the same impact. Hitler's rearmament programme as well as the US rearmament programme and participation in the Second World War absorbed the slack in their respective economies. This is not to justify a large rearmament programme, but to point out the difference in the nature of arms expenditure in the two kinds of economies.

Defence expenditure is mostly consumption expenditure and is only a minor portion of governmental consumption in a modern state. The marginal adjustment of defence expenditure within the overall consumption pattern of the economy, without upsetting the rate of savings and investment, is a matter of good national economic management.

This, however, is not to underestimate the specific problems arising from certain categories of scarce resources such as foreign exchange, highly skilled personnel, scarce raw materials, etc. These problems present somewhat more rigid constraints on defence effort than the issue of a marginal increase in the level of domestic resources to be applied. This will, however, highlight the need to manage the defence plan as part of the overall national planning and as part of an integrated process of national economic management.

R AND D EXPENDITURE

It has been estimated that during the 1960s, the annual world military R and D expenditure was of the order of \$15-16.5 billion. 85 per cent of this was spent by the US and the USSR. The United Kingdom, France, China and West Germany together spent another 12 per cent, leaving 3 per cent of the world total to be spent by all the other countries.

The military R and D expenditure is estimated to account for more than 50 per cent of the total world R and D expenditure. In terms of GNP it exceeds 1 per cent for the United States and well above 0.5 per cent for France and UK. As a percentage of the defence budget, it is of the order of 10 per cent for the US, UK, France and Sweden. For India defence R and D expenditure has just crossed the 2 per cent mark in the defence budget and constitutes 0.07 per cent of our GNP. In terms of the total Indian R and D effort, military R and D expenditure is likely to be of the order of 10-12 per cent.

In the advanced industrial countries, military R and D expenditure constituted an even higher percentage in the 1950s and a trend is noticeable in the 1960s of a substantial rise in the civil R and D expenditure. A study by SIPRI (Stockholm International Peace Research Institute), observes that the tendency to devote larger shares of the countries' budget to civil R and D in the 1960s may have been stimulated by the military efforts during the 1960s. "In particular, the allocation of very large sums — in hundreds of millions of dollars — to civil R and D may reflect an enthusiasm for the potential civil benefits of R and D investment which has been spurred on by the earlier successes in weaponry of the very large scale military R and D effort".

Specific efforts are being made in the US to develop an infrastructure which will readily transform the spinoffs from military R and D into civil applications. This, however, is still to make significant headway.

There is, however, an increasing fear in the minds of those who have been in the forefront of disarmament efforts (like Alva Myrdal) that the enormous outlays of military R and D are placing the super powers in a position of technological hegemony *vis-a-vis* other countries. The space communications and

earth resources satellites, computers, advances in oceanography, fission and fusion research, laser communications systems, etc, it is feared, are likely to put the super powers in a dominating position over the world's energy sources, transport and communications systems, and exploration of underground under-ocean resources.

The amount of defence outlay to be devoted to manage the security of a nation without incurring unduly high cost is a matter of sophisticated political and economic judgment. There is no study available in India to estimate the cost to the economy of the postponed economic decisions due to the various uncertainties arising out of the national security crises of 1962, 1965 and 1971. A cost-benefit analysis of a slightly higher order of defence outlay, which might have reduced the uncertainties in decision-making, would be very desirable.

The defence outlay of a nation has to be related to the threats it perceives to its security from the strategic environment. In countries with centrally planned allocation of resources for defence and development, it has been possible to combine a fairly high level of defence expenditure with a high rate of economic growth by imposing restrictions on consumption.

IDA Credit for Pakistan

THE International Development Association (IDA) has granted a \$45 mn loan to Pakistan. The credit will help manufacturers in selected industries to make fuller use of existing capacity by enabling them to import raw materials, components and spare parts. A wide range of manufacturing industries — textiles, iron, steel, chemicals, paper, plastics, rubber and commercial vehicles — will benefit from the credit. The credit will meet the foreign exchange cost of industrial imports required in 1973-74.

Manufacturing is the second largest sector of Pakistan's economy accounting for about 17 per cent of the gross domestic product and providing employment to about 16 per cent of the country's population. About 60 per cent of value added in manufacturing comes from agro-based industries, including textiles, sugar, edible oils, leather and tobacco. While the basic raw materials come from domestic sources, these in-

dustries require substantial imports of chemicals, machinery components and other inputs. Industries accounting for the remaining 40 per cent of value added are largely dependent upon imported materials.

According to an IDA press note, the IDA credit will support the continuing adjustment of Pakistan's economy to last year's trade and exchange rate reforms. The credit will help to support continuation of liberalised import policies and to provide the imports needed to maintain the growth of exports and rising domestic consumption. The progress of this adjustment is reflected in the rapid growth of exports and in the growing production of goods to replace imports.

The IDA credit is for a term of 50 years, including 10 years of grace. It will be interest free, but will carry the usual service charge of 3/4 of 1 per cent to cover IDA's administrative costs.

And Ever the Twain Shall Meet

G P Deshpande

IT was that most formidable of the "communist demons", Leon Trotsky, who once said that Europe had produced two great things: one a great ideology and the other a great technology. It was his view that while the ideology travelled east, the technology travelled west. The two, he insisted, had to meet. His dream, it seems, is coming true; except that on the way it has become a nightmare. The technology that he talked about has over the years demonstrated, in Vietnam and elsewhere, what a monstrous force it can be. As regards the ideology, nobody seems to know what it means or ever meant. At any rate, the latest American rendezvous with Comrade Brezhnev, which ended on Monday, the 25th, had very little to do with it.

It all started at Camp David. I do not refer to Brezhnev's quiet weekend at the mountain retreat of the American President. Camp David has by now a 14-year history in the annals of the super-power *detente*. Going by the glowing newspaper accounts and the pious editorials, it might appear as though the *detente* began with Nixon's trip to Moscow last year. The fact of the matter, however, is that the *detente* is easily 14 years old. It was in 1959 that Khrushchev and Eisenhower met at Camp David and brought it to each other's notice that peaceful co-existence between different social systems was always possible when you had the whole world to divide up among yourself. There has been a steady growth since in the general American and Soviet belief that the more organised the world is — that is, organised under their aegis — the better it is for peace. Admittedly there were a few problems, but it was left to the smaller powers to imagine that these problems constituted the ultimate irreconcilable contradiction between world capitalism headed by the United States and world socialism (in the true sense of the term; not the Chinese deviation!) headed by the Soviet Union. Then the small powers, if they belonged to a specific camp, could let out steam against either 'imperialism' or totalitarian communism. Meanwhile, the Americans and the Soviets could wait for the water-melon of the world to ripen. The non-aligned found the myth useful. They had managed to establish a useful balance

between radical slogans and foreign aid. Everything seemed to work fine. Of course, the major operative condition was to pretend that the *detente* had not yet arrived so that every successful Soviet-American summit could be made out to be one more necessary step towards *detente*, world peace and what have you.

It is blatant nonsense to pretend that Soviet-American relations in the last 10-odd years have been plagued by anything more than manageable tensions. Tensions and contradictions were of course there, but they only served as reminders to the world that the two social systems were after all different and that it was in everybody's interest that they remained different. The dominance of the world by the two super powers has been a fact of international life for over a decade now. Brezhnev's trip to the United States only confirms it once again. There are a few hopefuls still around who think that the Americans and the Russians do not get along well. They might find the meetings useful. Comrade Brezhnev asked the Moscow-based American correspondents in for a chat in his Kremlin office a day before he was to leave for the United States. Answering a question he said that he did not remember when he last used the hot line between President Nixon and himself. The use of the hot line has been either unnecessary or much too commonplace a thing to remember!

II

It is interesting that while Brezhnev was in the United States the admissions committee of the United Nations has decided to admit the two Germanies. Nothing could have demonstrated better the simple fact that the jigsaw puzzle of the world was finally falling into place. President Park Chung-hee of South Korea likewise called for normal ties with the Soviet Union and China during the same week. The Chinese kept almost obediently silent. The only noises made were those of the cease-fire in Vietnam; but those, in any case, everyone has decided to ignore. There has been one more agreement in Paris; so at least on paper the war has ceased.

The world seems to have become a

better and happier place to live in. To contribute to the allround feeling of friendship and understanding between the South Koreans and the Soviets, between the Canadians and the Indians, between the two Germanies, between the Chinese and the Americans and so on, Nixon and Brezhnev have pledged themselves to a comprehensive agreement on the restriction of atomic weapons by 1974. They have pledged to rule out nuclear war between themselves and with any third power. The SALT talks, being held at Geneva, promise to be a success now.

The Chinese used to describe the super power *detente* as "two super powers contending and colluding with each other for world domination". This formulation will have to be restated as "two super powers occasionally contending but normally colluding with each other for world domination". The only dark cloud on the otherwise peaceful horizon of Soviet-American understanding was the Middle-East, as Brezhnev himself recognised. It is doubtful, however, that even this cloud is all that dark. Some apparent tension between the two super powers is always desirable. Otherwise, what will the faithful talk about? The radicals in power in countries like India will lose an issue on which they can safely be the anti-status-quoists. On all other issues, there is a movement towards peace.

There are several points on which this almost idyllic picture of a quiet, peaceful world, dominated (to everybody's good) by the Americans and the Soviets is likely to break. The continuing war in Indochina is a bloody reminder that the Americans have, in fact, not withdrawn yet. The politics of peace there is going to be as tortuous as the war has been. For the sumit-teers, however, this is scarcely a problem. As of today, the Indochinese people are something of an exception. The others have learnt to appreciate the bounties of compromise.

III

There is much, thus, in Brezhnev's achievements in Washington to make him and the Soviets happy. In spite of the middle kingdom of Chairman Mao trying to play a deft political game, it has been reiterated that the most important relationship in the world today is the one between the Soviet Union and the United States.

The other agreements that Comrade Brezhnev has reached during his American safari, however, tell a story which

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 Tenth Annual General Meeting of the Company held in Bombay, on June 29, 1973:

At the very outset I would like to refer to the untimely and tragic death of Shri Mohan Kumaramangalam and Shri Satish Loomba. Shri Kumaramangalam had the enviable reputation of being a legal luminary. As a Minister he was known for his dynamism and fresh approach to tackling the problems confronting the Steel Industry in particular and maladies in general which continue to plague the country. His life was cut short at a time the numerous bold measures he had initiated for the resurgence of the Indian Steel Industry were about to bear fruits. Shri Loomba was my valued colleague on the Bonus Review Committee and was well known for his total dedication and his spirited advocacy of the cause of labour. I take this opportunity to convey my personal condolence to the bereaved families of Shri Kumaramangalam and Shri Loomba.

EXPANSION

It is gratifying to be able to report to you that after patient waiting for three seemingly interminable years we have received the Letter of Intent sanctioning our scheme for substantial expansion of the capacity of the Alloy Steel Plant from 24,000 tonnes to 60,000 tonnes of finished steel per annum. I had mentioned to you in my last statement about the delay on the part of the government in sanctioning our scheme for substantial expansion and the impact of the delay on the capital cost of the Project. The previous cost estimates of capital plant and equipment for the expansion scheme are no longer valid owing to the substantial escalation in the prices of plant and equipment not only in India but all over the world. Previous projections of capital cost require to be updated — an exercise to be undertaken on the basis of firm offers for supply of plant and equipment from indigenous sources and abroad. We have decided broadly regarding the specifications of plant and equipment required for expansion in conjunction with our technical collaborators, Ugine Aciers. After the capital cost estimates have been finalised in the light of firm offers for supply of plant and equipment from India and abroad,

a detailed feasibility study will be prepared based on which our financing plans for expansion will be submitted to the Lending Institutions. I expect to be able to spell out the details of the expansion scheme in the next Report of the Directors.

FIRE

Before I review the economic and political situation of the country, I would like to refer to an unfortunate incident which occurred on the 10th January. A devastating fire broke out in the Registered Office of your company and destroyed furniture, fixtures, typewriters, etc. In the Directors' Report we have mentioned about this untoward happening. We have intimated the authorities concerned about this destruction wrought by the fire. We were obliged to move over temporarily to another building and we are expecting to move to a permanent address within a short time. In this connection, what is most heartening was that the members of the staff, from bottom to top, worked untiringly and with unqualified dedication for restoring normalcy. Fortunately, bulk of the records pertaining to the previous year could be salvaged and we were able to reconstruct the rest of the records, so that the audit could be completed within the statutory time limit. That we have been able to hold the Annual General Meeting within the statutory time limit is by itself an ample testimony to the dedication with which the members of the staff had applied their mind and energy for building up the records afresh. They have my deepest appreciation and thanks for their efforts in restoring normalcy.

ECONOMIC AND POLITICAL SITUATION

The year 1972 has been exceptionally difficult one for the economy as well as for the corporate sector. It was in some respects one of the most damaging years for the country's economic development. Practically there was no growth at all in our gross national product and what little increases were achieved in some of the sectors of the economy, mainly Secondary and Tertiary Sectors, were not big enough to compensate for the shortfall in other Sectors, particularly in food-grains production. As against the anticipated 104 million tonnes actual food-grains production in the agricultural

year 1972-73 is expected to be of the order of only 100 million tonnes. The vexatious problem of fall in production in almost all the Sectors is further complicated by hyper-inflation, as bad as during the post-war period. The major factors responsible for the slide back in the economy are quite well known. Firstly, the failure of the monsoon in some of the largest states of the country has seriously affected the food-grains production. It has also meant lack of adequate water in the reservoirs of Hydel Power generation stations. Secondly, there has been an over-too-much deficit financing over the past 2/3 years of the order of nearly Rs 2,000 crores. Thirdly, there has been a dramatic increase in the prices of basic physiological requirements such as food, clothing and shelter. Finally, there have been staggering increases in money supply. As against a marginal 3 per cent increase in overall production over the past 2 years, money supply has increased by about 30 per cent during 1971-72 and 1972-73. It is indeed sad that an arduous and troublesome situation was not anticipated and measures taken in advance to forestall the adverse developments.

Most of the solutions to these contentious problems are rooted in commonsense. For one thing, it is patently unwise to take for granted a satisfactory monsoon. Only 25 per cent of the total area under cultivation is provided with assured water supply. It is therefore high time that even at the risk of delaying growth in other sectors we take up a number of small new irrigation projects and execute them within the shortest possible time.

Given this kind of a setting for the economy it would be natural to call for stepping up immediately production in all the fields, more so in items of mass consumption, whose prices have been mainly responsible for the present inflationary situation. Success in these fields require as much determination and resolution as we displayed while fighting an external force only recently. It is unfortunate that such a spirit and bonhomie is nowhere to be seen. Nor is there any attempt to mobilise public opinion to concentrate on increased production practically in every field. In this context I feel that industrialists and heads of corporate bodies should actively participate and

is less than glorious. He has reached in all nine agreements with the United States. Most of these once again make clear that the United States is the most dominant power in the world today. If the Soviets are a super power, it is so in no small measure due to American endorsement. The agrarian problem which was Khrushchev's undoing still haunts the Soviet leadership. And now American technology will step in in another area where everywhere Soviet experiment has failed. The Americans are going to play a very active role in exploring the energy resources of Siberia. Comrade Brezhnev had a special meeting with American 'capitalists'. Twenty-five new firms will be permitted to open offices in Moscow. That doesn't sound like different social systems, does it? It has been brought home by now to many that the *detente* in fact means peaceful co-existence between unequal socio-economic systems.

Robert Scalapino in his speech at the Indian Institute for Defence Studies and analyses about a year ago said that

in his view there were two important triangles in the world and in both the United States was at the top. The first was the USA- the USSR-China triangle and the second the USA- the EEC-Japan triangle. Scalapino's confident assertion about the undisputed supremacy of the Americans is very typical of the present American mood. It surely will not last. But meanwhile the Soviets have demonstrated that their different social systems can co-exist with the US only on the strength of guaranteed supplies of corn, wheat and oats and barley, which constituted two-thirds of the total Soviet imports from the United States in 1972. There does not seem to be any likelihood in the near future that this economic dependence would disappear. The US has thus proved that it probably is the only real super power. The other super power is miles behind it. Scientific co-operation in oceanography or a reciprocal income-tax agreement cannot hide this very basic backwardness. That the Senate should have made trade with the Soviet

Union conditional on the latter's treatment of Soviet Jews is one small indication of the respect with which the Soviet sovereignty was treated in the United States. Comrade Brezhnev, of course, was much too gallant to mind these little acts of interference in the internal affairs of the Soviet Union. He hosted a lavish lunch for the Senators on the 21st to explain to these champions of Jewish freedom how the Jews have all their rights protected in the Soviet states. Whereas "Watergate" is America's internal affair according to Brezhnev, the question of Soviet Jews evidently is not an internal matter of the Soviet Union!

All this speaks of a very unequal relationship in which the Soviet Union seems to be at the receiving end. In short, the present era does not seem to be of two super powers, but rather of one and a half super powers. That probably is the lesson of the adventures of Comrade Brezhnev!

FROM THE CHAIR

Alembic Glass Industries Limited, Baroda

Speech of the Chairman, Shri R B Amin

THE following is the Speech of Shri R B Amin, Chairman, Board of Directors, at the Twenty-eighth Annual General Meeting of Alembic Glass Industries Limited, Baroda, held on June 26, 1973:

Ladies and Gentlemen,

I have pleasure in welcoming you all to the 28th Annual General Meeting of the Company. The Accounts for the year ended 31st December, 1972 and the Directors' Report have been circulated to you and with your permission, I shall take them as read.

During the past year, production in our factories slightly declined and sales recorded only a slight increase. Production was held up and handicapped because of power cuts and this problem continued into this year as well. Further, five furnaces out of the six had to be closed for repairs at some time in the course of the year; normally three furnaces are to be repaired every year.

The drought in the past twelve months meant that the growth of sales of aerated waters, food products, etc.,

was checked, more so in the rural areas. This, in turn, meant a slack in the orders for bottles for such products; it also led to a cut-back in the running of the decorating plants and a corresponding reduction in earnings thereof. Overall earnings were further adversely affected by the price reductions your Company had to make in order to make some of its products more competitive. Taken together with the unchecked and sharp increase in costs, all this has meant that 1972 has been a difficult year for your Company. Costs of packaging materials have gone up and increased freight rates have also substantially raised the transport costs of bulky goods like ours. These adverse factors have continued into 1973 and we are endeavouring to cope with them.

We have developed some new items and the sales of our pressed ware are maintaining their upward trend. With the installation of a mixed melter furnace at the Bangalore plants this year, it will be possible to counteract the erratic supplies of electric power and also to manufacture amber bottles for which there is a good demand.

The steps taken by your Company in development of exports are now giving results. Markets have been developed in Bangladesh, the Middle East and East Africa and a beginning has also been made in Australia and Cyprus.

There are enough indications that this also will be a difficult year. The prospects of increased and uninterrupted supplies of power are not yet clear; this has a direct influence on the costs and efficiency of operations. It is clear that the rise in other costs are not being checked. Our efforts to cut down expenditure continue but here, too, there are limitations. All in all, it is not going to be an easy period and we have prepared ourselves accordingly.

Before I finish, I would like 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 Whitefield. I also wish to thank my colleagues on the Board for their support and guidance.

I now commend the Annual Accounts and Directors' Report for your consideration.

articulate their views and debate on the numerous measures initiated or are on the anvil by the Government. I am an optimist by nature and I believe that when the noise, din and bluster settles down, we will have attained a measure of economic and political maturity that will provide the most important bulwark for rapid advancement. I also subscribe to the view that a larger share of the benefits of the growth of the economy must be made available to the less-privileged sections of the community. At the same time, I feel we should not abandon totally the concept of growth, even at the risk of being accused of growthmanship — an attitude and approach which is being pejoratively described in certain quarters as growthmania. I believe while the benefits for the under-privileged and socially vulnerable sections of the society require imperative increases in productivity, greater attention to education, training and employment opportunities for the weaker sections and the assurance of a stable and high rate of growth are as much of a *sine qua non*.

BUDGET FOR 1972-74

Last year I had occasion to say though it has been reiterated by the Government that there will be no revival of the Development Rebate in its original form, it is likely that the Government would seek out a suitable substitute so that the withdrawal of DR does not hinder or inhibit industrial development in the country. In the Budget for 1973-74 the Finance Minister has hinted that the Government might introduce an Initial Depreciation Allowance admissible to selected industries in lieu of DR. In this connection, it would be necessary to underline the fact that while DR together with Depreciation Allowance worked out to 115 per cent or 125 per cent depending upon the industry concerned, the Initial Depreciation Allowance would only mean accelerated writing down of the value of the assets. In other words, initial Depreciation Allowance will not mean any extra allowance beyond 100 per cent. To quote the Finance Minister in this context, the Initial Depreciation Allowance "provides additional resources to the concerned industries in the early years of their development". I doubt very much whether initial Depreciation Allowance can serve the purpose of stimulating capital investment as effectively as DR.

The concept of DR had been introduced to enable companies to plough back funds for expansion and growth

of business and it had acted as a catalytic agent for industrial growth. I must, in this connection, draw the attention to a recent memorandum submitted by the Federation of Indian Chambers of Commerce & Industry on the issue of termination of DR. It is well known that many units who had applied for expansion or are in the process of setting up new units were not able to materialise their schemes on account of the procedural delays in regard to clearance from Monopolies Panel under the MRTP Act. The delay in the issuance of Capital Goods Licence and the complex procedure laid down for obtaining clearance for import of capital equipment from the indigenous availability angle had also delayed implementation of the schemes for setting up new units or attainment of substantial expansion. The indigenous suppliers of plant and equipment have failed to live up to their commitments for supplies of plant and equipment for the new projects or for expansion on account of massive power cuts throughout the country. The cumulative result of all these is that, despite their best efforts, companies which have substantial expansion programmes or new projects on hand will not be able to ensure that their schemes materialise before May 1974 — the terminal date for withdrawal of DR — for no fault of theirs. Consequently, they will not be able to avail themselves of the concessions accruing from the admissibility of DR. From this point of view and in the larger interests of industrial production, I strongly recommend to the Government that the terminal date be extended by about 2 years — say till May 1976. This has also been the recommendation by FICCI, which deserves to be considered in all seriousness and earnestness.

It has been stated that a void would be created once the DR is totally abolished. I have explained that initial depreciation allowance would not yield any positive incentive and would not serve as an adequate substitute for stimulating investments. Therefore, I would recommend that the Government should seriously think in terms of introducing the concept of initial investment allowance, which had been adopted by the Government of Great Britain for a considerable number of years. This initial investment allowance can be of two types. One serving as an initial investment allowance for industries located in backward areas and the other meant exclusively for core and capital intensive industries, which require longer gestation period. I under-

stand that initial investment allowance in different forms have been incorporated in the tax structure of most of the advanced countries. I feel that the Government of India should introduce this concept in our tax structure not only to accelerate growth of industries in backward areas but also to stimulate investments in core and capital-intensive industries.

A second point in regard to the Budget that I would like to make relates to the imposition of a fresh levy of Rs 50 per tonne plus the auxiliary duty of 75 per cent on Electric Furnace Steel. I have not been able to fathom the rationale of this move. We have made numerous representations to the Government pointing out that the imposition of the Excise Duty on Electric Furnace product does tantamount to double imposition of Excise Duty, since scrap, which is the basic raw material of Electric Furnaces, has borne once the incidence of Excise Duty. The inequity entailed in the withdrawal of exemption from Excise Duty applicable to ingots made in Electric Furnaces is too obvious to be laboured. It appears that this move has been taken under a mistaken, though popular, view that Electric Furnaces enjoy "considerable advantages" *vis-a-vis* interested steel plants. The truth is that while some time ago the Electric Furnace Industry enjoyed certain basic advantages in view of shorter gestation period, smaller capital outlay, proximity to market, etc, the advantages have virtually been neutralised by sharp escalation in prices of almost all the essential raw materials, such as scrap, power, graphite electrodes, refractories etc. To take the example of scrap alone, the increase between 1968 and June 1972 have been of the order of 100 per cent in the case of Mild Steel Turnings and Borings, 170 per cent in the case of No. 1 pressed bundles, 118 per cent in the case of Heavy Melting Scrap Grade III and 163 per cent in the case of Heavy Melting Scrap Grade II. Similarly, prices of graphite electrodes have increased from Rs 6,200 to Rs 6,900 or more per tonne over the past 3/4 years. Therefore in the light of these substantial escalation in prices of most of the inputs of the Industry, it would be incorrect to maintain that Electric Furnace Industry continues to enjoy "considerable advantages" over the integrated steel plants.

STEEL INDUSTRY

It is necessary to undertake a detailed techno-economic study of the ideal process or rather, an ideal mix of routes

for attaining the country's steel targets for 1975 and 1980 which have been set before the country. The Blast Furnace/Open Hearth Process, the BOF Process and the Electric Furnace Process — all have their own individual merits and have been accepted as viable routes of steel making for augmenting steel production in the country under certain given techno-economic conditions. It would be necessary as such to evaluate each process and split the targets amongst the three main Processes.

These remarks regarding the pattern of steel production in the country are prompted by the ambitious steel programme for attaining targets. Also I have in mind not only the mushroom growth of mini-steel plants, but also the heavily capital intensive projects for both new plants on green-field sites and the expansion of the existing tonnage plants. All over the world there is a very distinct trend towards Basic Oxygen Process and Electric Arc Furnace steel making even for bulk steel making. Though the Open Hearth/Blast Furnace Process is very much in vogue, one cannot ignore the fact that some of the old units are being scrapped and BOF or Electric Furnaces have been taking their place. In Canada, for instance, according to informed opinion, while in 1972 the Open Hearth Furnaces accounted for 40 per cent of the steel production, LD Convertors 45 per cent and Electric Furnaces 15 per cent by 1982 the position is likely to be completely transformed to such an extent that the Open Hearth would account for only 15 per cent, LD 60 per cent and Electric Furnaces 25 per cent. The position is very much the same in countries such as the USA, the UK, Japan, West Germany and also in most other developing countries.

Whenever we consider the desirability of augmenting the liquid metal production through Electric Furnaces route of steel making by about 2 lakh tonnes every year, it would be advisable to make a prior estimation of the scrap generation in the country, power requirements and its generation, availability of other raw materials such as graphite electrodes, refractories and so forth. The work initiated in this direction to size up the requirements of raw materials of the Electric Furnace Industry and the matching supplies that would be forthcoming over the next 5 to 10 years by the Committee on Perspective Planning for Electric Furnace Industry appointed by the Steel Furnace Association of India, whose Report has become available, calls for a deeper

study and its recommendations deserve to be thoroughly discussed.

POWER CRISIS

The fact that the authorities in Delhi were almost caught unawares by the power crisis deepens our forebodings about the validity and success of the planning process in the country. During the last decade, there were manifestations of an emerging power crisis but apparently the warnings went unheeded and the attitude of the Government in regard to power generation, transmission and maintenance of thermal plants was characterised by complacency and indifference. The power crisis, despite the incontrovertible fact of a maverick monsoon, which manifested itself in the last drought, is more man-made than nature-made. The planning process had basically gone wrong in the macro-projections of power requirements for industrial and non-industrial purposes. During the Fifth Plan period it is a matter of sheer necessity that the present generation capacity of about 17 million KW is more than doubled to 41 million KW as a matter of priority. In this context the shortfall in attaining the Fourth Plan target of about 23 million KW does not augur well either for agricultural or industrial growth. Some of the reasons attributed for the shortfall such as delays in the supply of generating equipment by indigenous manufacturers, shortages of construction materials such as steel and cement, and finally paucity of funds have been evading solutions for quite some time. It is a pity that the so-called inadequacy of funds has always come in the way of implementation of power schemes, so vital and urgent to the economy.

Simultaneously with the expansion of the power generation capacity, it is equally essential that a certain measure of efficiency is attained in the transmission of power by cutting down all losses. The appointment of two Expert Groups, one for Thermal and the other for Hydel, though late in the day, is welcome. It should be hoped that the findings and suggestions of the Study Groups become available at an early date. The neglect of preventive maintenance in our thermal power stations has been one of the major contributing factors to the power crisis. Loss in transmission in India is considered by technical experts to be considerable more than such losses in any other country — a shortcoming which can be easily got over with concerted efforts and certain initial capital expenditure. However, it would be unwarranting to delve into the causes which have con-

tributed to the massive power crisis, but we should take all conceivable steps to narrow the widening gap between supply and demand. What I am pleading for is an end to adhocism in tackling the vital and crucial problems of additional power generation, distribution as well as optimum utilisation of the existing capacities in the country for power generation.

I have dilated at length the question of power crisis. Ours being a power intensive industry, we are deeply concerned about the energy shortage, which tends to perpetuate itself if adequate steps are not taken immediately. In my previous Report to you, I had reported about the abnormal increase in power cost in the State of Maharashtra. The effective power rate for your Alloy Steel Plant registered a sharp increase from 9.3 paise per KWH (average for 1972) to 13 paise per KWH following a revision of the power tariff in the State in October 1972. Although we have made numerous representations to the Government of Maharashtra to consider certain concessions for power intensive industries like Electro-metallurgical and Electro-chemical industries — which use power not as one of the utilities but as a raw material — our efforts have not yet yielded any tangible results so far. However, we are still persisting in our efforts and I hope that the Government of Maharashtra will favourably consider our representation for rationalisation of power tariff structure in the State for power — intensive industries.

OPERATING RESULTS IN 1972 AND OUTLOOK FOR 1973

The Directors' Report has mentioned to you about a decrease in sales in 1972 compared to the previous year. The decline in sales as explained in the Directors' Report, was due to non-utilisation of the surplus capacity in the Rolling Mill on account of inadequate availability of ingots and blooms from external sources. It will be recalled that in 1971 it was possible to achieve higher sales through greater utilisation of the capacity in the Rolling Mill as we could arrange for supplies of bought-out ingots and blooms in large quantities. I had predicted in my last Report that it might not be possible to achieve the same turnover in 1972 as availability of bought-out blooms and ingots was uncertain, a factor over which your Directors had no control. Thus the turnover as well as the operating results in 1972 and 1971 are not, strictly speaking, comparable and any conclusion regarding the drop in turnover

would be misleading.

The demand for most of our products continued to be satisfactory throughout the year and the order book position at the end of the year reflected a very comfortable position. There is a considerable growth potential in the demand for Alloy and Special Steels during the next decade due to the anticipated pick-up in the pace of industrialisation. During the first 5 months of 1973, sales have aggregated to Rs 403.04 lakhs as against Rs 427.96 lakhs during the corresponding period of the previous year. Efforts are being made to contain escalating operating costs despite inflationary pressure through greater operating efficiency at different levels.

DIVIDEND

My colleagues on the Board and I have recommended a dividend of 12½ per cent as will be noted from the Directors' Report. This dividend, I am happy to say, would be totally tax-free in terms of Section 80K of the Income Tax Act and the necessary certificate from the authorities is expected shortly. In recommending the above quantum of dividend to the share-holders, the Directors have taken into consideration the necessity of preservation of the retained funds and the cash resources, which we have built up over

the last 5 years, as these resources will be needed for substantial expansion schemes, to which I have already referred.

MERCHANDISING DIVISION

As reported in my last year's statement, steps are being taken to establish a Merchandising Division and efforts are being made to acquire franchise for various products of Pechiney Ugine Kuhlmann. We have already finalised broadly the terms of marketing special carbon products of Le Carbone-Lorraine, in this country. Le Carbone-Lorraine is known for its sophisticated technology for carbon blocks and carbon brushes and these products are being used by the Defence and Defence-oriented industries, Space Research Centres, etc. Establishment of the Merchandising Division is intended basically to pave the way for diversification and broadening of our activities into fields where sophisticated technology of Pechiney Ugine Kuhlmann can be deployed.

DROUGHT IN MAHARASHTRA

1972 will be remembered as the "year of drought" which has left landmarks of misery of their own for tens of millions of people. Although drought is prevailing in varying degrees of inten-

sity in different States, Maharashtra appears to be the most afflicted State, not only because of its extreme severity but also because it is the third in succession. The efforts made by State Government in mitigating the sufferings of the people are indeed commendable.

Since our operations are located in the State of Maharashtra, we feel deeply concerned with the sufferings and sorrows of the teeming millions. Your company has donated funds for scarcity relief and the Company has participated in a scheme for providing tractors and trailers to provide water supply for the drought-affected areas.

THANKSGIVING

Before I conclude I would like to express on behalf of my colleagues and myself my thanks to the staff and workers for their loyal and dedicated services. I would also like to express my appreciation of the sound advice and counsel given to me by my colleagues on the Board. We continue to receive closer co-operation and assistance from Ugine Aciers in resolving any technical problem which we encounter.

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

Blue Star Limited

Speech of the Chairman, Mr Mohan T Advani

THE following is the Speech of the Chairman, Mr Mohan T Advani, at the Twenty-fourth Annual General Meeting of Blue Star Limited held in Bombay, on Thursday, June 28, 1973:

LADIES AND GENTLEMEN

It gives me great pleasure to welcome you to the 24th Annual General Meeting of the Company. The Directors' Report and Accounts for the year ended December 31, 1972, have been with you for some time. May I, therefore, take them as read?

PERFORMANCE AND FUTURE PROSPECTS

There has been significant all-round improvement in the performance of the Company in 1972, and I trust the share-holders are happy with the results. It gives me particular satisfaction to report an increase of 33 per cent in our export earnings, an area vital to the development of the country's economy.

I would like to assure you that the

Directors of your Company are far from complacent. They are aware that there is scope for greater improvement. Unabated efforts will continue to be made to increase the efficiency,



Mr Mohan T Advani

In spite of difficult conditions prevailing in the country this year, billings in the first five months of the current year have been satisfactory and the order book shows a healthy state. We are hopeful that this trend will continue during the remaining months of the year but much depends on how the monsoons behave this year and whether the Government is able to put the country rapidly back on the path to progress.

The present severe strains on the country's economy, the shortages of electrical power and raw materials and the spiralling inflation may well affect the Company's growth rate for 1973. Your Directors, however, view the future with confidence based on the Company's sound financial structure, the effectiveness of its policies

and the efficiency of its personnel.

COPING WITH THE PROBLEMS OF GROWTH

As an organisation dedicated to growth, we recognise that successful growth must overcome problems, both internal and external. It is our responsibility to solve the first set of problems but solutions to external problems depend largely upon an environment that encourages healthy growth rather than stifles it.

In handling the internal problems of growth, the guiding philosophy of the Company is our belief that people perform better when they are led, not when they are pushed. Your Company is fortunate in having a first-class team of managers. This has enabled us to follow a successful policy of decentralisation. The Board of Directors lays down broad policy and takes important decisions affecting the Company as a whole, while at the local level all over the country operating decisions are taken by the managers concerned. Such decentralisation has helped to promote entrepreneurial thinking and produces quicker responses to chang-

ing conditions.

Since the future of any company depends primarily on the people who work for it, we give considerable attention to recruitment, training and promotion of our employees. We ensure that everyone is given a fair opportunity for advancement and, therefore, lay great emphasis on a systematic and periodic review of the progress and welfare of our employees.

When we turn to external problems, however, the picture does not look as encouraging. The present inflationary situation has placed a heavy responsibility on us to hold costs within tolerable limits. We are conscious of this and I would like to assure you that continuous efforts are being made to avoid unessential expenditure without hurting the efficiency of our operations.

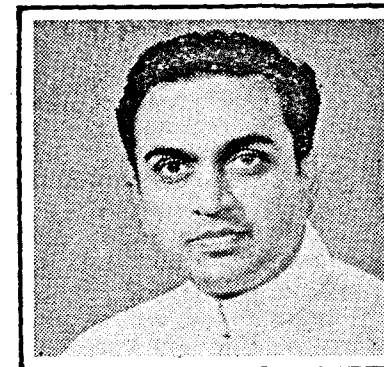
We do not question the social objectives of the Government but we firmly believe that the fulfilment of these very objectives requires speedy decisions to step up production and productivity. Re-distribution of wealth by itself cannot achieve the social objec-

tives of the country if we ignore the basic need to produce more. The solution lies in the hands of the political leaders elected by the people to the State Legislatures and Parliament. I can only hope that they show wisdom and courage to pull the country out of its present rut so that the teeming millions can truly benefit from progress.

OUR THANKS

Finally, I would like to pay my tribute on your behalf, to all employees of the Company, now numbering almost 2,000, for the excellent work put in by them during the year under review. Good relations between the Company and its employees at all levels has been a source of strength for its rapid growth and development during the last few years. It will continue to be our basic policy to develop further the existing relationship based on mutual understanding, trust and goodwill.

I now propose that the audited Statement of Accounts and the Directors' Report be adopted and passed.



Shri Jaykrishna Harivallabhadas

GSFC'S CHAIRMAN'S STATEMENT

SUBSTANTIAL INCREASE IN PROFITS LEADS TO STEPPING UP OF DIVIDEND ON EQUITY SHARES TO Rs. 20 PER SHARE

FIRST PRODUCTION OF CAPROLACTAM IN THE COUNTRY EXPECTED IN THE CURRENT YEAR

Shri Jaikrishna Harivallabhadas, Chairman, Gujarat State Fertilizers Company Limited, stated at the 11th Annual General Meeting of the Company held on the 22nd June, 1973 that despite several adverse factors, the Company registered new records of production, sales and profit during the year 1972-73. He also announced that new expansion projects were under way. THE following is the text of the statement:

LADIES AND GENTLEMEN,

I am glad to welcome you to this, the Eleventh Annual General Meeting of your 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.

It is indeed a matter of gratification that in spite of several adverse factors mentioned in the report of your Directors, your Company has been able to register new records of production, sales and profits. It has maintained steady progress all-round. The past year has ended with a gross profit of Rs. 17,61,24,797, after meeting all expenses and interest on loans, but before providing for Depreciation and Development Rebate Reserve. With Rs 5,78,86,965 provided for Depreciation, and Rs 8,07,77,000 for Development Rebate Reserve, your Company's net profit for the year amounts to Rs 3,74,60,832. Your Directors have recommended declaration and payment of dividends for the year ended on the 31st March, 1973 at Rs. 9.30 per share

on the preference shares, and at Rs 20 per share on the equity shares. Thus the dividend on equity shares has been stepped up from Rs. 16 per share to Rs 20 per share. You will be happy to know that no tax will be deducted from the dividends as the portion of such dividends on which income-tax is not payable by the share-holders under Section 80-K of the Income-tax Act, 1961 has been provisionally worked out at 100 per cent by the Income Tax Officer, Ahmedabad. It seems unnecessary for me to evaluate these noteworthy results, and I am confident that you share with me the satisfaction over the excellent performance and progress of your Company. But nevertheless I wish to assure you that this will not result in any complacency, and we shall continue as ever

to strive for better proficiency and brighter future for your Company.

Nature has once again let us down at a time when the country had almost achieved self-sufficiency in food production. Last year, the monsoon failed and severe scarcity conditions are being faced in Gujarat and elsewhere in large parts of the country. The Government has been making a determined effort to mitigate the sufferings of the people, and to save the cattle from starvation. Your Company has also contributed its mite to the scarcity relief measures undertaken by Government of Gujarat. I am confident, with the grace of God, we shall soon come out of our present difficulties. But, one thing is certain that our agriculture is still overwhelmingly dependent on Nature in spite of the execution of four five-year plans. A much greater effort is called for to make our agriculture less dependent on Nature, and to put it on a sounder footing. This is particularly true of Gujarat where facility of irrigation extends to only 11% of the total area.

Agricultural development of any country is as important as its industrial development, if not more. Rapid agricultural development can be assured only by provision of adequate irrigation facilities together with required quantities of fertilisers and improved seeds etc. India is not wanting in water resources. But every day that passes in allowing our large rivers to empty their abundant quantities of water into the sea, leaves the country poorer. If only we forget the regional barriers, and allow these water resources to be tapped to the advantage of the country as a whole, green revolution would automatically follow, and India would once again be one of the richest granaries of the world.

The past decade has witnessed a fast growing demand for fertilisers. Today shortage of fertilisers is increasingly felt. Import of fertilisers results in draining out of the country's scarce foreign exchange, and cannot be allowed to continue indefinitely. India has to be self-sufficient in fertiliser production, and with this objective in view, the country's planners are contemplating setting of several more fertiliser manufacturing units in the country. Your Company has also been informally sounded by the Government of India to consider establishing new fertiliser manufacturing facilities even larger than its existing facilities. I am glad to inform

sently engaged in examining the feasibility of undertaking establishment of another large fertiliser project, for being presented to Government of India.

Your Company's aim is not limited merely to production and sales of fertilisers. It is equally conscious of its social obligations. While it undertakes for itself research work for the modification and improvement of existing processes and for the development of new processes, it associates itself actively in the all round agricultural development, agricultural research, and development of new extension methods for the benefit of the agricultural community. Your Company has already introduced and implemented a package plan on a limited basis for the promotion of the high-yielding varieties of crops. This plan has been well received by the farmers, and has changed their attitudes towards adoption of improved farm practices. With the gathering of experience, it will be extended to further areas and other crops. Your Company is also ready with pilot schemes for the development of backward areas, cultivation of sunflower and sheep breeding, and will soon undertake execution of such schemes.

It is difficult for any industrial organisation, of whatever magnitude, to grow indefinitely and to contribute to the national wealth without diversifying its activities. With the growth of its experience and resources, it becomes its duty to put them to better use in diverse fields. It was with this view that your Company entered into the Petrochemicals field and undertook establishment of its Caprolactam Project. For reasons beyond your Company's control, there has been a little delay in the completion of that project. However, as you must have seen, the work on that project is going ahead with the outmost speed and unless unforeseen difficulties arise, we may well expect that by about the end of the current financial year, caprolactam will start being produced by your Company for the first time in the country.

At this stage, I feel it is my duty to make reference to some reports that have appeared in the press very recently about this project, because they give a rather misleading view of the project and its progress.

The Caprolactam project was for the first time thought of in the year, 1966. Thereupon, your Company invited global tenders for the project in

world.

At no time had the Government of India specified any particular country or any particular credit for the project. After careful consideration of the tenders received, your Company selected Messrs Hitachi Limited of Japan as the contractor for the caprolactam project and the contract with them was signed on the 1st July, 1968. The Government of India approved the contract in February 1969. Thereafter, in spite of several efforts both by the Government of India and your Company spread over a period of about a year, the Government of Japan did not approve allotment of Japanese Credit for the project. In the result, the contract with Messrs Hitachi Limited had to be abandoned.

Thereafter, in consultation with the Government of India, your Company entered into negotiations with the European parties for the project in February 1970. The negotiations for the project with Messrs INVENTA of Switzerland and Messrs TECHNIP of France were concluded in May 1970, and Letters of Intent were issued to them on the 8th June, 1970. The contracts with the said parties were signed on the 23rd June, 1970. The Government of India approved the said contracts by March 1971. The foreign exchange required for the imported equipment was released by the Government of India in three instalments namely 60 per cent in March 1971, 25 per cent in May 1972 and 15 per cent in December 1972. This delay in the release of foreign exchange naturally affected the project schedule.

According to our country's policy, we placed orders for about 70 per cent of equipment required with indigenous manufacturers, and unfortunately, they have not been able to adhere to the delivery dates agreed to by them. For some of this delay there were reasons over which they had no control. Then, there have been severe shortages of power and raw materials such as steel and cement in the country during the past year. Nevertheless, we now expect that by about the end of December 1973 or soon thereafter, the erection of the plant would be completed. Even so, you will observe that the project will be completed within 33 months from the first release of the foreign exchange by the Government of India, and 28 months from the date the foundation stone was laid. Such a complex and complicated project is being set up for the first time in India,

one will come to be regarded as a major achievement by your company. And this has been made possible only because of the advance planning undertaken by your Company, and the vigilance with which the project has been pursued to overcome numerous difficulties which your Company has had to face.

This is why I have been distressed by the uncharitable comments in the press. What we have done and hope to do should be a matter of pride for all of us.

Your Company is contemplating to further diversify its activities. As stated in your Directors' Report, contract for the styrene plant has been awarded to a foreign party. Since then, your Company has also selected and issued a Letter of Intent for the supply of processes, technical knowhow and imported equipment for the Polystyrene plant. Both these contracts have been awarded to Messrs Badger Limited of the United Kingdom, and they will be negotiated and finalised in the near future. Your Company is also considering offers for a Nylon-6 Chips plant, and expects to select a contractor for that plant before long.

Shri Arvind N Mafatlal, Shri Arvind N Lalbhai and Shri Rohit Chinubhai Mehta have resigned from your Board of Directors. Shri F J Heredia has also resigned from your Board of Directors, and his resignation has been accepted with effect from the 21st May, 1973. Shri Arvind N Mafatlal, Shri Arvind N Lalbhai and Shri F J Heredia

were associated with your Company since its inception, and Shri Rohit Chinubhai Mehta was with us for the past over five years. Their contribution to the growth and prosperity of your Company was by no means small. I am sure you will all join me in recording our warm appreciation and deep sense of gratitude for the valuable services rendered by, and the guidance, co-operation and advice received from one and all of them during the period they were with us. I must place on record particularly my deep appreciation of the services of Shri Heredia to the Company, who served as its Managing Director for a period of over three years, and had to resign because of domestic reasons. Throughout his stay he served your Company with single devotion and sincerity.

You will be glad to know that in the casual vacancies caused by the resignations of Shri Arvind N Lalbhai and Shri Rohit Chinubhai Mehta, Shri Gordhanbhai Shambhubhai Patel and Shri S K Gangopadhyay have respectively been appointed as Directors of your Company with effect from the 8th June, 1973. We welcome them on the Board. I am sure, your Company will benefit from their experience of public administration.

In the end, I take this opportunity

to express on your behalf, on behalf of my colleagues on the Board of Directors and on my personal behalf, our sincere thanks to the Government of Gujarat, the Government of India, the Industrial Development Bank of India, 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 united 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 a record of proceedings of the 11th Annual General Meeting of the Company.



**GUJARAT STATE FERTILIZERS
COMPANY LIMITED.**
P.O. Fertilizernagar, Dist: Baroda

The Sandur Manganese and Iron Ores Limited

Speech of the Chairman, Shri Y R Ghorpade

THE following is the Speech of Shri Y R Ghorpade, Chairman and Managing Director, The Sandur Manganese and Iron Ores Limited, at the Nineteenth Annual General Meeting held on June 29, 1973.

LADIES AND GENTLEMEN,

At the outset I wish to express our deep sense of sorrow and loss at the passing away of Shri Mohan Kumaramangalam whose qualities of head and heart have left an indelible mark on the progress and development of our country. His stewardship of the Ministry of Steel & Mines at this crucial period will be long remembered. His passing away is an irreparable loss to the nation and to all those who knew him personally.



tonnes from 2.61 lakh tonnes in 1971 and 2.34 lakh tonnes in 1970. During the second half of 1972 as much as

1.40 lakh tonnes was shipped to Japan. The Company has a shipping programme of three lakh tonnes during 1973 consisting of one lakh tonnes of 38/40 per cent Mn ore; 50,000 tonnes of 36/38 per cent Mn ore; 1.4 lakh tonnes of 31/33 per cent Mn ore and 10,000 tonnes of Siliceous manganese ore. The production, raiting and shipping programme of three lakh tonnes for the year 1973 represents a high water mark in the Company's export activities. The raiting capacity is adequate for such a programme. In the last four months, the raiting has been at the rate of 26,000 tonnes per month. The prices of manganese ore have shown distinct improvement and the company will be exporting three lakh tonnes to Japan in 1973 on the basis of the new prices

The company is also mining iron ore in its lease hold area. It supplied about 40,000 tonnes of iron ore to the MMTC during the year and has programmed to supply about 1.5 to 2 lakh tonnes during 1973. This tonnage will be progressively stepped up in the years to come depending on economic feasibility, availability of transport and other facilities. It is the intention of the company to step up iron ore production and export to the maximum extent possible in co-operation with the MMTC and consistent with the country's export programme. As I stated in my speech last year, "Smiore is conscious of the fact that manganese and iron ore production is and ought to be labour intensive and employment oriented. We are, therefore, determined to do as much manganese and iron ore production as is economically feasible, keeping in mind railings, shipping and other available facilities".

The Metal & Ferro Alloys Plant had a successful year of operation during 1972. It may be recalled that during 1971, the Company's 15,000 kVA electric reduction furnace had to be shut down for a period of nine months for the purpose of relining. However, the relined and modified furnace is now functioning at optimum efficiency. The production of pig iron during 1972 was 32,016 tonnes in spite of the 25 per cent power cut imposed by the Mysore State Electricity Board since October. If there had been no power cut, the production would have exceeded 34,000 tonnes. The despatches of pig iron during the year were 31,113 tonnes.

The Company has had to revise its pig iron selling prices to offset to some extent the increase in the cost of raw materials especially coke and electrode paste. To further improve the economics of the furnace, the Company intends to concentrate on the production of special grades of pig iron including super-special grade with a maximum phosphorus content of 0.08 per cent which has a promising future. The Company has also taken steps to instal capacitor banks which will be commissioned in August this year and further improve the efficiency and working of the furnace. However, the prices of coke have shown a steep increase and there was considerable difficulty in getting coke during the first half of 1973 due to problems of transportation.

The Company achieved a gross profit of Rs 37.96 lakhs for the year 1972 before depreciation as against a loss of Rs 40.30 lakhs during 1971 due to the long shut down period. The net profit after providing for depreciation of Rs 29.54 lakhs is Rs 8.42 lakhs. With the

improvements in the manganese ore prices and the working of the furnace, the financial outlook for 1973 and subsequent years is very encouraging. During the year the Company has paid Rs 14.45 lakhs to the financial institutions towards repayment of loans. However, due to devaluation of the Dollar, the Company's deferred payment liability has increased by Rs 7.62 lakhs.

In my speech last year I had stated that the Company expects to make up by 1974 the losses incurred in 1971. However in view of the improvement in the prices of manganese ore, it is now expected that the carried forward loss of Rs 43.76 lakhs will be substantially wiped out during 1973 itself. 1975 will be the year when the Company's two new furnaces to produce 24,000 tonnes of ferrosilicon will go into operation. Thus, the company can be said to have overcome its initial problems and the period of low manganese ore prices and is poised to achieve a significant breakthrough in production and profitability both in the field of mining and electro-metallurgy. The capital cost of the Ferrosilicon Project will be Rs 6 crores which will be financed to the extent of Rs 90 lakhs from internal accruals of the Company and the balance Rs 5.10 crores by issue of fresh capital and loans from the financial institutions, viz, Industrial Development Bank of India, Industrial Credit and Investment Corporation of India, Industrial Finance Corporation of India, Life Insurance Corporation of India and Unit Trust of India. The foreign exchange component will be of the order of Rs 170 lakhs. The import of plant and equipment has been cleared by the Director General of Technical Development. The Company has entered into a 12 year agreement with the Mysore State Electricity Board for the supply of 40,000 kVA of power on the basis of the present HT-1A tariff. The Company expects to complete the financing of the project and place orders for plant and machinery in a month or two. The two ferrosilicon furnaces are expected to be commissioned by September 1975. This will greatly strengthen and diversify the activities of the Company.

With regard to labour welfare, the Company has been fully conscious of the rise in the cost of living and has done its utmost to neutralise the effect of rising prices by guaranteeing to supply adequate quantities of essential commodities such as foodgrains to our employees at prices prevailing in March 1972. In other words, the Company

subsidises the cost of these essential commodities to the extent to which prices have increased since March 1972. The Company has 3,862 employees and the Smiore Employees Co-operative Society, which has a turnover of Rs 35 lakh per annum, established a Departmental Store at Sandur on the Vijayadashimi Day, viz, 17th October 1972, for efficient purchase and supply of essential commodities and consumer articles on a 'no profit no loss' basis. This Departmental Store has been a big success and has played a significant role in supplying essential commodities at reasonable prices not only to our employees but to the general public as well. This co-operative effort is significant pointer to what can be done in a period of rising prices to safeguard the real wages of the worker and also benefit the general public.

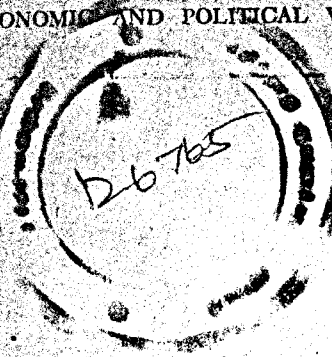
The year 1972-73 has been very significant for Sandur and its development. The foundation stone of the Narihalla multi-purpose project, which has been one of our main demands for the last decade or so, was laid by Shri D. Devaraj Urs, Chief Minister of Mysore on 29th October 1972. This is a multi-purpose project which will be completed in 1974-75 and constitutes a very important landmark in the industrial and agricultural development of Sandur and the neighbouring areas. It will facilitate the establishment of the two million tonne Pelletisation Plant in the valley of Sandur apart from irrigating 3,500 acres of agricultural land. The Vyasankere Lift Irrigation scheme to irrigate 3,800 acres and the Hulikunta irrigation tank to irrigate about 2,000 acres have also been commenced during the year. The Government of Mysore have decided to establish a Post-Graduate Centre at Nandihalli, in the proximity of Sandur and the Vijayanagar Steel Plant. This Post-Graduate Centre will provide higher educational facilities in various disciplines like Metallurgy, Soil Mechanics, Chemical Engineering, Public Health Engineering and Water Resources and develop in due course into a Technical University. Work on the Vijayanagar Steel Plant is also expected to be accelerated resulting in an investment of about Rs 500 crores during the Fifth Plan period. The Mining and Metallurgical activities of Sandur Manganese & Iron Ores Limited is a service to the nation which fits into this overall development.

Thank you.

Y R GHORPADE

Yeshwantnagar
29th June 1973

ECONOMIC AND POLITICAL WEEKLY



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CHAITRA-CAFI-145

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June 30, 1973

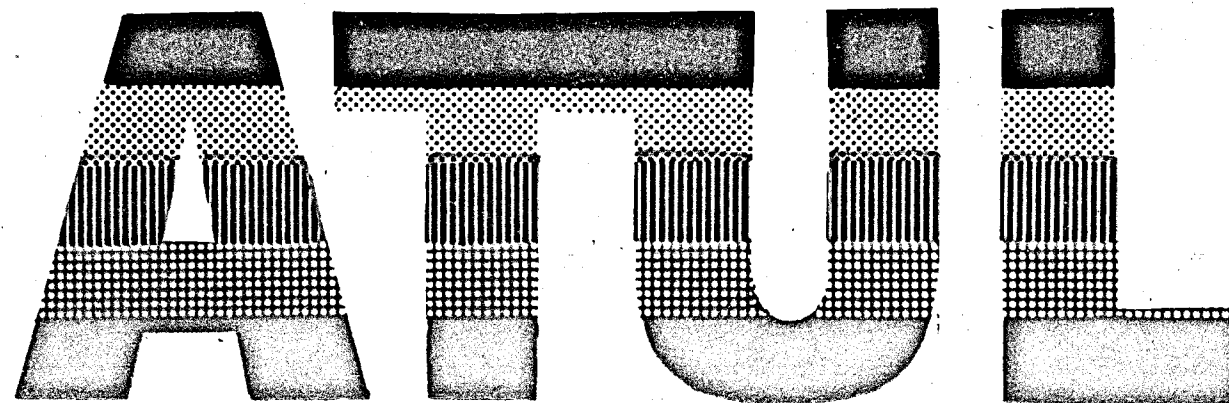
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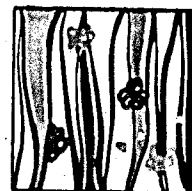
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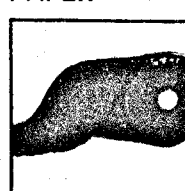
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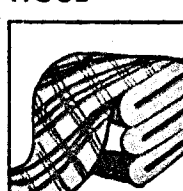
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